

## **The complaint**

Mr N complains that NewDay Ltd ("NewDay"), trading as Aqua, irresponsibly granted him credit that he couldn't afford to repay.

## **What happened**

NewDay approved a credit card application for Mr N in December 2020. The credit limit was set at £900 and was increased to £1,900 in July 2021.

Mr N says that NewDay were wrong to provide credit as it wasn't affordable for him.

NewDay disagree. They say that when they approved the credit card application they reviewed Mr N's credit file and found he had no arrears, no County Court Judgments, and no defaults. They said there was about £2,600 of unsecured debt but they thought that as Mr N had told them he was earning £55,000 a year he would be able to afford the credit they were providing. They explained that when they agreed to increase the limit they had also been able to benefit from reviewing Mr N's performance on his account with them and that gave no cause for concern.

Our investigator agreed but Mr N didn't, and he asked for a final decision by an ombudsman.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

### ***Account opening***

I think NewDay completed proportionate checks before approving the credit card. They reviewed Mr N's credit file and gathered some information from him about his income and circumstances. I don't think the information gathered would have given cause for concern. There were no recent adverse credit reports and the unsecured debt on the credit file was low in proportion to Mr N's declared income. I don't think it would therefore have been proportionate for NewDay to have completed any further checks. They didn't need to review Mr N's bank statements and would therefore not have been alerted to any gambling problems or borrowing from friends.

### ***Limit increase***

NewDay have explained that they also checked Mr N's credit file and considered the information they had provided about his income and expenditure before they approved the limit increase in 2021. They were also able to consider Mr N's performance on his account with them since it opened. I think those checks were proportionate too given the amount of

credit being supplied and in proportion to Mr N's declared income and his likely expenditure. I don't think they had to ask for bank statements or to have completed more intensive checks.

The checks they performed revealed that Mr N had exceeded his credit limit on the account on a couple of occasions, but he'd reacted by making increased payments and made a deposit of over £500 in June 2021 prior to the limit being increased. That didn't suggest that Mr N was finding the credit unaffordable. And the credit file showed some variability in Mr N's unsecured debt whilst there were times in the preceding months when it had risen there were also times when it had reduced. I don't think there was evidence in the credit file performance of over indebtedness or financial strain. So, I don't think NewDay were wrong to increase the limit as the information they had suggested it was affordable for Mr N.

I think NewDay carried out reasonable and proportionate checks before approving the credit card and before approving the limit increase. The checks didn't identify any sign of financial difficulty or suggest that the loan may have been unaffordable and, in those circumstances, I don't think the personal and financial problems Mr N was experiencing could fairly have been identified by NewDay and I don't think the credit was advanced irresponsibly.

### **My final decision**

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 22 September 2022.

Phillip McMahon  
**Ombudsman**