

## The complaint

Mr G complains that NewDay Ltd trading as Aqua have irresponsibly lent to him.

Mr G is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr G himself.

## What happened

Mr G applied for a branded NewDay credit card in January 2020 and he was accepted with a £300 credit limit. Mr G complained to NewDay that it was irresponsible to lend to him.

NewDay did not uphold Mr G's complaint. They said that they had considered the information he included on his application, such as being employed with a gross annual salary of £18,283 and having unsecured debt of £8,600. They also said that external information available to them showed that he had five defaults, with the last one occurring 19 months prior to his application, no payday loans, no accounts in arrears and no CCJ's.

Mr G brought his complaint to our service. Our investigator upheld his complaint. He said that the lending was unaffordable for Mr G as he had £8,600 of unsecured debt against income of £18,283 and that Mr G had five defaults totalling £4,500. He concluded that the checks NewDay carried out were not proportionate so he said NewDay should refund the fees and charges Mr G had incurred and use this to reduce any outstanding balance. He said if this creates a positive balance then this amount should be paid back to Mr G, with 8% simple interest added and any adverse information should be removed from his credit file.

NewDay asked for an Ombudsman to review the complaint. They said they believed sufficient checks had been completed and there was nothing to indicate that Mr G would struggle with the credit card payments.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

*Before agreeing to approve the credit limit for Mr G, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.*

*I've looked at what checks NewDay said they did prior to accepting Mr G's application. They said at the time of applying for the credit card, they considered the information that Mr G had given them, such as him being employed, earning a salary of £18,283 a year and they looked at external data available to them. NewDay said that the data showed he was*

*not in arrears at the time of the application on any of his accounts.*

*So I've considered if the checks that NewDay carried out were proportionate to the level of credit that Mr G was given. And despite Mr G being approved for a relatively modest credit limit, compared to his gross annual salary, I'm persuaded there are other factors which should have persuaded NewDay to make further checks and I'll explain why below.*

*The underwriting comments on Mr G's application show that Mr G had a relatively low income and high indebtedness in the underwriter's opinion. It also showed Mr G had a payment arrangement previously (although this was settled) and he had five defaults, with only the last one being 19 months ago and no access to any other household income. As the total of the defaults was £4,500 and at the time of the application Mr G had £8,600 of unsecured borrowings (roughly 50% of his net income), then I'm persuaded all of this should have prompted NewDay to make further checks to ensure the proposed credit limit would be affordable for Mr G.*

*So, I would have expected NewDay, as part of a proportionate check, to ask for further information from Mr G to ensure that a £300 credit limit would be affordable and sustainable for him. They could have done this by contacting Mr G to discuss his personal circumstances at the time, or they could have asked for information about his income and outgoings, such as requesting his recent bank statements, to see whether the credit limit would be sustainable and affordable for Mr G.*

*I'm persuaded that if NewDay had made further checks, they would have discovered that Mr G had taken a loan out in May 2019 and a credit card with a third party in November 2019 (which are confirmed on his credit file). So it could be that Mr G was hungry for credit. I'm persuaded that the fact Mr G had been accepted for a credit card just weeks before the NewDay credit card should have prompted further checks to see how Mr G was managing his finances.*

*So I asked Mr G if he could provide his bank statements for the time period before his NewDay credit card application was accepted, as I'm persuaded this is something that NewDay could have done as part of a proportionate check to see if the NewDay credit card would be affordable for him and to ensure he could make payments in a sustainable manner based on the reasons I've already mentioned. But Mr G did not respond to any requests to provide me with his bank statements.*

*So on the face of it, it does look like NewDay should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that NewDay should've done more checks here – I can't say whether that would've revealed further information which means they wouldn't have lent. As Mr G hasn't provided me with his bank statements, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal. So it follows I do not intend to ask NewDay to do anything further."*

*I invited both parties to let me have any further submissions before I reached a final decision. NewDay accepted the provisional decision. Mr G did not respond to the provisional decision.*

### **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.*

As neither party have provided me with any further information to consider, then my final decision and reasoning remains the same as in my provisional decision.

**My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 July 2022.

Gregory Sloanes  
**Ombudsman**