

The complaint

Mr M has complained that NewDay Ltd trading as Aqua irresponsibly lent to him.

What happened

Mr M opened a credit card account with NewDay (trading as Aqua) in April 2021. His credit limit was £900. In August 2021 it was increased to £1,200.

Mr M is represented by a claims management company, but to keep things simple I will refer only to Mr M.

Mr M suggests that NewDay shouldn't have allowed him to open an account or increased his credit limit. Mr M says there were failings related to irresponsible and unaffordable lending although he is no more explicit than that.

Our investigator thought that Mr M's complaint should not be upheld. They thought that on the evidence available NewDay had not done anything wrong.

Mr M disagreed. He hasn't made it clear why he disagreed. As Mr M disagreed the case has been passed to me to make a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr M's complaint.

NewDay needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr M could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr M's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Certain factors might point to the fact that NewDay should fairly and reasonably have done more to establish that any lending was sustainable for Mr M. These factors include things like understanding Mr M's income, the total amount Mr M borrowed, and the length of time Mr M had been indebted. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

When Mr M opened his account NewDay conducted a creditworthiness assessment. NewDay says that this included a review of information from credit reference agencies, information provided by Mr M about his income and circumstances and data which estimated his essential expenses. NewDay told us there were no signs of financial difficulties based on the checks it did.

I think these checks were proportionate in the circumstances. And when I've reviewed the checks I think they showed that the agreement was likely to be affordable for Mr M. There were no signs of financial difficulty and no evidence of any defaults, arrears, CCJs, payday loans or bankruptcy. Mr M's income indicated he'd likely have enough disposable income to meet his repayments. So, I don't think NewDay acted irresponsibly when it approved the credit card.

Four months after Mr M opened the account his credit limit was increased to £1,200. He hadn't incurred any late payment fees or been over his limit and he was making payments above the minimum requirement payment.

The checks showed that he did have £6,000 of other unsecured debt and that he had an active payday loan. But these matters on their own wouldn't necessarily mean the lending was irresponsible or unaffordable. We asked Mr M to provide more information about his financial circumstances at the time, but he chose not to provide it.

Without more information I can't safely say that the decision to increase his credit limit was irresponsible or that NewDay made an unfair lending decision. So, I can't fairly say NewDay did anything wrong or that Mr M lost out as a result of anything NewDay might have done wrong.

My final decision

I do not uphold Mr M's complaint. It follows that NewDay Ltd, trading as Aqua, does not need to do anything further.

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

Sally Allbeury
Ombudsman