

The complaint

Miss H complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card and increased the credit limit.

What happened

Miss H applied for a credit card with NewDay in April 2021. NewDay approved the application and gave Miss H a credit card with an initial credit limit of £250. In October 2021 the credit limit was increased to £1250.

Miss H complained that NewDay had complained irresponsibly. NewDay didn't agree that it had lent irresponsibly but as a gesture of goodwill it refunded interest applied between December 2021 and March 2022 amounting to £85.61.

Miss H remained unhappy and brought her complaint to this service. Our investigator looked at everything but didn't think NewDay had acted irresponsibly.

Miss H didn't agree so I've been asked to make a final 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.

Account opening

Before agreeing to lend, the rules say that NewDay had to complete reasonable and proportionate checks to ensure that Miss H could afford to repay the debt in a sustainable way. These affordability checks need to be focussed on the borrowers circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors including the amount of credit, the total sum repayable, the amount of repayments, the cost of the credit and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

NewDay says it looked at the information Miss H provided on her application. It also looked at information it obtained from credit reference agencies.

Miss H told NewDay she was living in rented property with an income of around £25,600. Her credit file showed no county court judgements or accounts in arrears. There was one default on her credit file, recorded around 33 months prior to the application.

I think NewDay completed reasonable and proportionate checks before opening the credit card account. It gathered information about Miss H's financial circumstances. I don't think any of the information obtained by NewDay would've given cause for concern. It wouldn't have been proportionate for NewDay to have carried out further checks.

I've gone on to consider whether the lending decision was fair.

I've reviewed the information obtained by NewDay. I haven't seen anything to suggest that the credit card wouldn't be affordable for Miss H. There was no adverse information on Miss H's credit file which would've given cause for concern. There was a default on the credit file but this was historic and would not have been a reason not to decline the application. Taking all the information into account and given that the initial credit limit was low in relation to Miss H's income and other borrowing, I'm satisfied that the decision to lend was fair.

Credit limit increase

NewDay has explained that prior to increasing the credit limit in October 2021 it looked at how Miss H had managed the account including whether she had exceeded the credit limit or missed any payments. It also checked Miss H's credit file to check whether she had arrears on other accounts or payment arrangements.

Because the credit limit was increased significantly, I think it would have been proportionate if, in addition to the checks it carried out, NewDay had carried out further checks to find out more about Miss H's income and expenditure, including other credit commitments at the time.

This service asked Miss H to provide bank statements for the three months prior to the credit limit increase. Miss H hasn't provided enough information for me to be able to assess whether or not NewDay had made a fair lending decision. Because of this, I'm unable to safely conclude that NewDay lent unfairly.

I've taken account of everything Miss H has said about her health issues. I'm sorry to hear about these. However, based on the information I've seen, I'm not persuaded that the increase to the credit limit wasn't affordable for Miss H, or that she wasn't able to sustainably repay the debt.

In conclusion, I think NewDay carried out reasonable and proportionate checks before approving the credit card and increasing the credit limit. I don't think NewDay lent irresponsibly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 2 January 2023.

Emma Davy
Ombudsman