

## **The complaint**

Mr C says NewDay Ltd, trading as Aqua, irresponsibly lent to him.

## **What happened**

Mr C applied for a credit card in March 2018. It was approved with a limit of £250. His credit limit was increased once to £1,250 in July 2022. After Mr C complained to NewDay saying the lending was unaffordable it upheld his complaint about the limit increase and refunded the associated fees and charges.

Mr C remained unhappy about the initial lending and so brought his complaint to this service. He said when he applied for the card he was unemployed and had a gambling addiction.

Our adjudicator did not uphold Mr C's complaint. She said NewDay's checks were proportionate and did not show any reason NewDay ought to have realised the credit would be unaffordable for Mr C.

Mr C disagreed and asked for an ombudsman's review. He said he wanted NewDay to refund at least half of the interest he has paid over the life of the account. It took no steps to help him when his card was almost always maxed out.

## **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 unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit facilities it was giving to Mr C were affordable and sustainable. Such checks need to be proportionate to things like the credit limit it offered Mr C, how much he had to repay (including interest and charges) each month, his borrowing history and what it knew about his circumstances. But there is no set list of checks it had to do.

We also consider the length of time it would have taken the consumer to repay the credit provided, had they used all that was available. As credit card accounts are open-ended (meaning no fixed date when the credit agreement will end), the consumer potentially has to meet the financial commitments for a long time. So, the lender needs to gather enough information to be sure the consumer would be able to repay the balance in a reasonable period of time.

This means to reach my decision I need to consider if NewDay carried out proportionate checks at the time of Mr C's card application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

*The card application and initial limit of £250*

When Mr C applied for the credit card NewDay asked for details of his gross annual income. It carried out a credit check to understand his credit history and existing credit commitments. NewDay has shared the results of these checks.

They show that Mr C declared an annual income of £14,000 and that he had £1,300 of unsecured debt. All his active accounts were up-to-date. He had no active payday loans. He had three defaulted accounts, but the most recent was 63 months old so I would not see this historic adverse data as a reason to decline his application - and he was managing his active credit well.

Mr C says he was unemployed and had a gambling problem. But he had declared he was employed and given the amount of credit it was offering and Mr C's credit history I don't think it would have been proportionate for NewDay to have carried the depth of financial review that would have shown his financial instability. I think, at this stage, it was reasonable for NewDay to conclude the card and its repayments would be sustainably affordable for Mr C.

It follows I don't think NewDay was wrong to give Mr C the card.

I have also looked at Mr C's use of the account and the period he held a debit balance with them. I don't think from this NewDay ought to have realised Mr C might have been experiencing underlying financial difficulties. If there remains an outstanding balance and Mr C is still struggling financially I would remind NewDay of its obligation to treat Mr C fairly and with forbearance.

Mr C also raised that NewDay did not paid the statutory 8% interest on his refund after it upheld his complaint in relation to the credit limit increase. But this would only come into effect if reworking Mr C's account resulted in him having effectively made payments above the original capital borrowed, and I can't see that was the case here.

### **My final decision**

I am not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 March 2023.

Rebecca Connelley  
**Ombudsman**