

## **The complaint**

Ms T says NewDay Ltd, trading as Aqua, irresponsibly lent to her.

## **What happened**

Ms T applied for a credit card in May 2018. It was approved with a limit of £1,200. Ms T says NewDay should never have lent to her. If it had checked her credit file it would have seen she had a high level of borrowing on another credit card. She was only working part time on a low wage and received universal credit. It will take her years to repay the debt and she is severely stressed and now on long term sick. She has to borrow from her daughter to repay the debt.

Our adjudicator did not uphold Ms T's complaint. He said NewDay's checks had not showed that Ms T could not afford the loan, but given her low income it should have carried out more checks. However he did not think had it done so it ought to have made a different lending decision. He explained having other debt would not in itself be a reason not to lend to Ms T.

Unhappy with this assessment Ms T asked for an ombudsman's review. She said her debt to income ratio was already high, more checks should have been done given her salary. She lost her job shortly after taking out this card and is reliant on benefits and family support.

## **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 card it was giving to Ms T was affordable and sustainable. Such checks need to be proportionate to things like the credit limit it offered Ms T, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her circumstances. But there is no set list of checks it had to do.

This means to reach my decision I need to consider if NewDay carried out proportionate checks at the time of Ms T'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.

When Ms T applied for the credit card NewDay asked about her gross annual income. It carried out a credit check to understand her credit history and existing credit commitments. NewDay has shared the results of these checks.

They show that Ms T declared an annual income of £8,000 and that she had three active accounts and £1,200 of unsecured debt. She had no accounts in arrears and one defaulted account of £200 that was over 70 months old. Given Ms T had a low salary I think it would have been proportionate for NewDay to have carried out a fuller financial review. I can't see

NewDay captured any information about her employment or residential status, or her monthly outgoings.

In order to recreate what better checks would most likely have shown I have reviewed Ms T's bank statements from the three months prior to her application. They don't show signs of financial difficulties – such as payday loans, returned direct debits or reliance on an overdraft facility. And it seems Ms T had the disposable income to afford the amount of credit NewDay approved. So I don't think NewDay ought to have concluded there was a risk the card would not be affordable for Ms T had it carried out better checks.

Ms T says she had about £5,000 of debt on another card so her debt to income ratio was already too high, but from NewDay's checks it saw she had a lower level of unsecured debt of £1,200. From what I can see about Ms T's other credit card (it is subject to a separate complaint with this service) its limit was £3,300 at this time so I think it is most likely her balance at the time was lower than she recalls. And NewDay's credit check showed Ms T was up to date with her repayments. Having other debt would not in itself be a reason not to lend, if the amount appeared sustainably affordable as it did here.

Overall, I don't think NewDay was wrong to lend to Ms T.

I am sorry to hear that her circumstances changed shortly after taking out the card. I would urge her to contact NewDay to discuss an affordable repayment plan and I would remind NewDay of its obligation to treat Ms T fairly, and with forbearance.

### **My final decision**

I am not upholding Ms T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 18 April 2023.

Rebecca Connelley  
**Ombudsman**