

The complaint

Mr B, who is represented by a third party, complains that NewDay Ltd (“NewDay”), trading as Aqua, irresponsibly granted him a credit card account he couldn’t afford to repay.

What happened

Mr B entered into an agreement with NewDay to have access to credit by way of an Aqua credit card account. The account was opened in October 2018 with a credit limit of £900. This was increased to £1,650 in January 2019 and then five more times as follows: to £2,400 in May 2019, to £3,900 in August 2020, to £4,900 in February 2021, to £6,650 in May 2021 and finally to £8,000 in September 2021.

Mr B says that NewDay didn’t complete adequate affordability checks when it opened his account. He says if it had, it would have seen that the card wasn’t affordable for him. He also says it led to him getting into further debt.

NewDay said that it carried out a reasonable and proportionate assessment to check Mr B’s financial circumstances before granting him the card account and each of the credit limit increases.

Our adjudicator didn’t recommend the complaint be upheld. He thought NewDay didn’t act unfairly or unreasonably by approving the account opening and each of the credit limit increases.

Mr B didn’t agree and so his complaint has been passed to me for 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.

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before opening the account I think NewDay gathered a reasonable amount of evidence and information from Mr B about his ability to repay. I say this because it asked for details about his income and job and other information relating to his financial situation, including details about money he owed elsewhere. NewDay also completed a credit check which showed no adverse information, such as defaulting on credit or having a county court judgment against him. However, just because I think it carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I've reviewed the information and evidence NewDay gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr B. I say this because Mr B was at the time earning £32,000 a year, which would mean a monthly net income of around £1,800. He owed just over £20,000 in other unsecured credit. As he was serving in the armed forces his housing costs and council tax were deducted beforehand. From what I've seen, I think it's likely that Mr B was in a reasonably stable position financially at the time. So I don't think NewDay acted unfairly when approving the finance application. And given that Mr B's circumstances do not appear to have changed substantially by the time he was granted his first credit limit increase in January 2019, and his unsecured debt was now lower at around £15,000, I don't think NewDay acted unfairly in approving this either.

Turning to the later credit limit increases, I think NewDay gathered a reasonable amount of evidence and information from Mr B about his ability to repay. I will explain why.

Looking at the credit increase in May 2019, up to £2,400, I can see from the credit agency information NewDay was holding that Mr B's unsecured debt was now around £15,000. Whilst lower than at the point of opening, the bank statements Mr B has given us show that he was having to find money to meet daily living costs of around £725 with his monthly credit commitments costing him a further £530. On that basis, and given that Mr B had reached his credit limit, I think it would have been proportionate for NewDay to find out more about Mr B's financial circumstances before increasing the limit further.

Going forwards to the next four credit limit increases, I agree with our adjudicator that on each occasion it would have been proportionate for NewDay to have found out more about Mr B's financial circumstances, but I can't see that happened. I've seen that Mr B was able to manage his NewDay account reasonably well, without resorting to making cash withdrawals on the card and without incurring any late fees. His monthly payments tended to be at or slightly over the minimum required. I've noticed that he made a large payment of around £2,600 in December 2020, was regularly paying above the minimum payment required in much of 2021 and cleared his outstanding balance in November that year, after his credit limit had been increased to £8,000.

Mr B was making regular use of his card and whilst the amount of credit he owed elsewhere fluctuated, by the time he received his fifth credit limit increase, up to £6,650 in May 2021, Mr B owed around £17,500 in other credit. But he then went on to steadily use up most of the available credit again in 2022.

I've also looked at what NewDay would likely have found if it had carried out better and more proportionate checks. The bank statements Mr B has provided have been helpful for this. Although his net monthly income had gone up to £2,000-2,100 his living expenses were also sometimes more, ranging between £600 and £1,000 each month. His total credit commitments each month were around £600. So it looks as if the card remained affordable to him, leaving him with at least £400 in disposable income each month.

In summary, the evidence and information I've seen overall demonstrates that Mr B had enough disposable income each month to make regular, sustainable repayments towards his NewDay credit card. Had it completed proportionate checks, I therefore think it's likely NewDay would have discovered all this too. So it didn't act unfairly by increasing Mr B's credit limit on each occasion.

It follows that, whilst I can't say that everything NewDay did was necessarily appropriate at all times, I don't think NewDay's actions in opening the account and for each of the six credit limit increases was enough to cause Mr B to lose out.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 July 2023.

Michael Goldberg

Ombudsman