

The complaint

Mr J complains that NewDay Lyd trading as Aqua lent to him irresponsibly.

What happened

Mr J applied for a credit card with Aqua in July 2021. It was approved with an initial credit limit of £450. The credit limit was later increased to £1200.

Mr J complained that NewDay had lent irresponsibly. NewDay upheld Mr J's complaint in relation to the credit limit increase (but not the account opening).

Mr J remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. He said that NewDay had carried out reasonable and proportionate checks before opening the account and that the information gathered showed that the agreement was likely to be affordable for Mr J.

Mr J didn't agree. He said he understood that NewDay had upheld the part of his complaint which related to the credit limit increase but said it wasn't fair that he was having to pay back all of the outstanding balance plus interest. Mr J said that NewDay had closed the account and that he was paying the minimum amount each month which wasn't reducing the capital balance.

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 has acknowledged that the credit limit increase wasn't suitable for Mr J. So in this decision I've focussed on whether NewDay acted fairly when the account was opened.

Our approach to complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering Mr J'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 J could repay the credit in a sustainable manner. There's no set list of checks that a lender has to carry out, but they could include things such as how much was being lent, the repayment amount, and Mr J's income and expenditure and credit history.

Account opening

NewDay carried out checks before opening the account. It obtained details of Mr J's income and outgoings and carried out a credit check. The credit check showed no adverse information.

Based on what I've seen, I think NewDay carried out reasonable and proportionate checks. I haven't seen anything to suggest that further checks should've been carried out.

I've gone on to consider whether the decision to lend was fair, taking into account the information gathered as a result of the checks.

Based on what I've seen, I'm satisfied that the inspection showed that the lending was likely to be affordable for Mr J. Mr J had sufficient disposable income each month to make the minimum repayments on the credit card based on full utilisation of the credit limit of £450. There was nothing in the information obtained to suggest that Mr J was struggling financially at the time he applied for the credit card.

I'm therefore satisfied that the decision to open the credit card account was fair. I won't be asking NewDay to do anything further.

Mr J has said that he's being charged interest on the outstanding balance of £1200. This service asked NewDay to clarify whether it was charging interest on balances over £450 but didn't receive a response.

For the avoidance of doubt, and because NewDay has upheld the complaint about the credit limit increase, NewDay shouldn't be charging interest on any balances over £450.

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 Mr J to accept or reject my decision before 1 June 2023.

Emma Davy
Ombudsman