

The complaint

Ms E complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Ms E applied for an Aqua credit card with NewDay in May 2020. In the application, Ms E said she was employed with an income of £21,000 and was a tenant. NewDay carried out a credit search and found Ms E had around £1,900 of unsecured debt with other businesses. No current arrears for Ms E's existing debt or payday loans were found. A CCJ for £400 that was 25 months old was noted.

NewDay says it applied its lending criteria and approved an Aqua credit card with a limit of £900.

In October 2021 NewDay increased the credit limit of Ms E's Aqua card to £1,900.

Last year, Ms E complained to NewDay that it had lent irresponsibly when approving her credit card application and then increasing the credit limit. Ms E explained she'd applied during the pandemic and that the information included on her applications wasn't checked by NewDay. NewDay responded to Ms E's complaint and partially upheld it. NewDay didn't agree it had lent irresponsibly when approving Ms E's credit card application in 2020. But NewDay agreed to refund all interest and charges applied after the credit limit increase to £1,900 in October 2021.

Ms E referred her complaint to this service and it was passed to an investigator. They thought NewDay's decision to uphold Ms E's complaint from the point it increased the credit limit to £1,900 in October 2021 was a fair way to resolve her complaint. Ms E asked to appeal and said NewDay had obtained her credit file from a business I'll call C which isn't a credit reference agency. Ms E also said that another case she's referred to us has been upheld. As Ms E asked to appeal, her complaint has been passed to me to make a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

Before agreeing to lend, NewDay needed to complete proportionate checks to be able to understand whether the borrowing was sustainable for Ms E. There's no specific list of checks a lender has to complete. While it is down to the lender to decide what specific checks to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about Ms E at the time of application.

When Ms E applied for the Aqua credit card she gave information about her circumstances at the time. Ms E said she was employed with an income of £21,000. In addition, NewDay carried out a credit search to get a picture of Ms E's finances. In her response to the investigator, Ms E said NewDay had relied on credit information provided by a business that isn't a credit reference agency. But I've reviewed NewDay's application and can see it did complete a full credit search and reviewed Ms E's complete credit file. The credit file information obtained by NewDay showed some evidence of historic adverse credit but it was over two years old at the point of Ms E's application. And Ms E's credit file showed she was up to date with her existing commitments at the point she applied.

Taking all the available evidence into account, I'm satisfied the checks NewDay completed before approving Ms E's Aqua credit card were reasonable and proportionate. I haven't been persuaded that the information NewDay obtained during the application process should've led it to ask Ms E to supply additional information about her circumstances before approving the credit card. I haven't been persuaded that NewDay lent irresponsibly when it opened the Aqua credit card for Ms E.

NewDay has already upheld Ms E's complaints about the credit limit increases it approved in October 2021, so I don't need to make a finding regarding whether it lent irresponsibly. I understand NewDay has already confirmed the refund amounts which covered interest and charges applied from the point Ms E's credit limits were increased to date. I'm satisfied that's in line with the approach we take to resolving complaints about irresponsible lending so I'm not telling NewDay to take any further action.

I'm very sorry to disappoint Ms E but as I'm satisfied NewDay has already agreed a settlement that is fair and reasonable in all the circumstances, I'm not telling it to do anything else.

My final decision

My decision is that NewDay Ltd trading as Aqua has already agreed a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 22 June 2023.

Marco Manente
Ombudsman