

The complaint

Mr W complains that NewDay Ltd ('NewDay'), trading as Aqua, irresponsibly granted him a credit card account he couldn't afford to repay.

What happened

Mr W entered into an agreement with NewDay to have access to credit by way of a credit card account. The account was opened in December 2013 with a credit limit of £250. This increased to £550 in January 2015, £1,150 in May 2015, £1,900 in November 2015, £2,800 in July 2016 and finally to £4,050 in February 2017.

The card went into default in May 2022 when the account was ended. In August 2022 the outstanding debt was sold on to a third party.

Mr W says NewDay didn't complete adequate affordability checks when it opened his account. He says if it had, it would have seen that each agreement wasn't affordable for him from the outset and that having it worsened his financial situation.

NewDay said it carried out a reasonable and proportionate assessment to check Mr W'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. She thought NewDay didn't act unfairly or unreasonably by approving the account and each of the credit limit increases.

Mr W 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 out all of that 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 W about his ability to repay. I say this because it asked for details about his income, 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. 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.

Having reviewed the information and evidence NewDay gathered, I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr W. I say this because Mr W was at the time earning a gross annual income of £22,000 a year. He had a number of credit accounts but owed only a relatively modest total sum of £500 in unsecured debt. Mr W also did not appear overly reliant on cash borrowing and had not had any recent arrears or account defaults and had no County Court judgments. Our adjudicator noted a historical default for £200. Whilst this could be suggestive of financial difficulty, given that it was added to Mr W's credit records almost four years earlier, I agree it wasn't sufficiently close to the date of the agreement to be something that might be considered relevant to his financial situation.

All of this suggests Mr W was likely to have been in a reasonably stable position financially at the time the account was opened. So I don't think NewDay acted unfairly when approving the finance application.

We also asked Mr W for some further details and evidence about his financial circumstances. Mr W sent us a breakdown he'd prepared of his finances at the time. Unfortunately, this isn't sufficient information on its own to help us determine whether or not NewDay made a fair lending decision, either for the account opening or the credit limit increases. So I've also looked at how Mr W was operating his account. For the first credit limit increase in January 2015, I've noted that by that point Mr W had used up almost all the available credit. He was making mostly only minimum payments month but appeared generally to be managing the card well, for instance without incurring any late fees or charges. Also, the increase was relatively modest and I can't see anything in the information that was available to NewDay at the time to suggest that Mr W's might be getting into difficulty with debt he held elsewhere.

For the later credit limit increases, Mr W was continuing to manage his account relatively well, although it's fair to say he tended to make payments that were at or only slightly above the minimum payment required. The credit check information available to NewDay didn't suggest that any of the later credit limit increases were likely to be unaffordable. His borrowing elsewhere also raised no real cause for concern.

I've noticed that Mr W appears to have substantially increased his level of borrowing elsewhere prior to being granted his fifth credit limit increase. But again, Mr W continued to manage his account well and made was using less than half of the available credit limit increase.

In summary, the available evidence and information I've seen demonstrates that Mr W appears to have had enough disposable income each month to make regular, sustainable repayments towards each of these credit limit increases.

I've seen that Mr W has referred to another unaffordable lending complaint he brought to this service where his complaint was upheld. I think it's important to say here that each complaint is considered afresh under its own specific facts. Also, from what I've seen, due to jurisdiction issues, a different period of lending was being looked into for that complaint.

Finally, I've seen that Mr W says he is unhappy with the level of help he received from NewDay after he told them he was in financial difficulty. I've looked at NewDay's customer records and notes to see what happened. I've seen that in 2017, 2018 and 2020 NewDay wrote to Mr W about the fact he was making only minimum payments, suggesting ways he

could improve things and the potential adverse consequences for his credit record. In 2019 it also wrote to him to say he was paying more in interest, fees and charges than he was actually borrowing on the card. And in September 2021 NewDay agreed to set up a payment arrangement at a lower rate than what would normally be required by way of a minimum payment each month.

So, whilst I can't say that NewDay's actions were necessarily appropriate at all times, I don't think NewDay's opening of the account and granting of each of the five credit limit increases was enough to cause Mr W to lose out. As I'm not persuaded that NewDay acted unfairly, I don't think they need to do anything to put things right.

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 W to accept or reject my decision before 15 August 2023.

Michael Goldberg

Ombudsman