

The complaint

Mr C complains that NewDay Ltd trading as Aqua lent to him irresponsibly.

What happened

In June 2021 Mr C applied for a Aqua credit card. NewDay approved the application and gave Mr C a card with an initial credit limit of £600. The credit limit was increased to £1200 in September 2022.

In July 2021 Mr C applied for a Aqua credit card. NewDay approved the application and gave Mr C a card with an initial credit limit of £700. The credit limit was increased to £1450 in September 2022.

Mr C complained that NewDay had lent to him irresponsibly.

NewDay didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr C.

Mr C remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. They said that in respect of both cards, NewDay had completed reasonable and proportionate checks and that the lending decision was fair.

Mr C didn't agree so I've been asked to make 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr C's complaint.

Before agreeing to lend, NewDay needed to complete reasonable and proportionate checks to ensure that Mr C could sustainably repay what was being lent to him. There's no set list of checks that a lender has to complete. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances when deciding what's reasonable and proportionate.

I've looked at the checks carried out by NewDay in relation to both accounts.

Aqua account – account opening

Mr C declared annual income of £23,599 when he applied for the account. NewDay verified this income using an industry tool. It obtained expenditure data and carried out an affordability assessment. This showed that Mr C had sufficient monthly disposable income to afford the repayments on the credit card.

NewDay carried out a credit check. This showed that Mr C had around £8200 unsecured debt. There was no adverse information recorded on Mr C's credit file in the last 3 years.

Based on what I've seen, I think the checks carried out by NewDay were reasonable and proportionate. I haven't seen anything in the information gathered from the checks which would've given NewDay cause for concern, or which would've necessitated further checks.

I've gone on to consider whether the lending decision was fair. There's nothing in the information gathered by NewDay to suggest that Mr C was struggling to repay his debts or that he wasn't likely to be able to sustainably repay the loan. In the circumstances I think the lending decision was fair.

Aqua account – credit limit increase to £1200

Mr C's complaint about this lending decision has already been upheld by NewDay so I won't comment on it.

NewPay account – account opening

Mr C declared annual income of £23,599 when he applied for the account. NewDay verified this income using an industry tool. It obtained expenditure data and carried out an affordability assessment. This showed that Mr C had sufficient monthly disposable income to afford the repayments on the credit card.

NewDay carried out a credit check. This showed that Mr C had around £7800 unsecured debt. There was no adverse information recorded on Mr C's credit file in the last 3 years.

Based on what I've seen, I think the checks carried out by NewDay were reasonable and proportionate. I haven't seen anything in the information gathered from the checks which would've given NewDay cause for concern, or which would've necessitated further checks.

I've gone on to consider whether the lending decision was fair. There's nothing in the information gathered by NewDay to suggest that Mr C was struggling to repay his debts or that he wasn't likely to be able to sustainably repay the loan. In the circumstances I think the lending decision was fair.

NewPay account – credit limit increase to £1450

In March 2022 the credit limit was increased. The credit checks carried out showed that Mr C had unsecured debt of around £21,000. The majority of this – around £16,000 – was non revolving debt.

NewDay looked at how Mr C had managed the account so far. All payments were up to date and Mr C regularly paid more than the minimum monthly payment. There was one late fee applied but this had been refunded. Mr C had remained within the credit limit and hadn't made any cash withdrawals.

Based on what I've seen, I think the checks carried out by NewDay were reasonable and proportionate. I haven't seen anything in the information gathered from the checks which would've given NewDay cause for concern, or which would've necessitated further checks.

Looking at the information obtained from the checks, I think the lending decision was fair. There's nothing in the information gathered to suggest that Mr C wasn't likely to be able to sustainably repay the lending.

For the reasons I've given I don't think NewDay lent irresponsibly.

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 C to accept or reject my decision before 3 August 2023.

Emma Davy
Ombudsman