

The complaint

Mr H says NewDay Ltd, trading as Aqua, irresponsibly lent to him.

What happened

Mr H applied for a credit card in September 2019. It was approved with a limit of £450. In February 2022 this was increased to £1,450.

Mr H says NewDay should never have increased his limit as he was already struggling to make regular repayments. He wasn't in regular work in 2022 and he says NewDay did not complete proper checks at this time. This has all impacted his mental health.

Our adjudicator did not uphold Mr H's complaint. He said NewDay ought to have rechecked Mr H's income in February 2022 but as Mr H had not sent in the information he had requested he could not conclude NewDay had made an unfair lending decision.

Unhappy with this assessment Mr H asked for an ombudsman's review. He said he was unemployed by February 2022 so how could the increase have been reasonable.

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 approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here. NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr H was affordable and sustainable. Such checks need to be proportionate to things like the credit limit it offered Mr H, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

Mr H has complained specifically about the limit increase but as the steps NewDay took when he applied have bearing on what it then did when it increased his limit I will comment here on both lending decisions. This service has an inquisitorial remit which allows me to consider the subject matter of a complaint as a whole. And NewDay has submitted information on both lending decisions.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time of Mr H's card application and limit increase; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

When Mr H applied for the credit card NewDay asked about his gross annual income. It carried out a credit check to understand his credit history and existing credit commitments. I think these checks were proportionate given the limit NewDay allocated. And NewDay has

shared the results of these checks and I can't see they showed anything that ought to have concerned the lender.

When NewDay increased Mr H's limit it used his account history and again reviewed his external credit management. But I can't see it did anything to check his income, or broader financial circumstances – and it was over two years since he had applied. The limit increase was also substantial – it was giving over three times the amount of credit. And I am not persuaded reviewing solely how Mr H had managed a lower limit to date gave the required assurances that he could sustainably afford a higher limit. I do note there was nothing in the credit checks it did complete that indicated Mr H was under financial pressure – he had no accounts in arrears or on reduced payment plans and was up-to-date and within limit on his Aqua card. However, in the round, I don't think the checks for the limit increase were proportionate.

In such circumstances we look at bank statements from the months prior to the increase to build a picture of the customer's financial circumstances at the time. I am not saying NewDay had to do exactly this but it is a reliable way for me to understand what better checks would have most likely shown the lender. However, Mr H has been unable to provide us with this information. This means I cannot fairly conclude that better checks would have led NewDay to make a different lending decision.

It follows, based on the available evidence, I cannot conclude NewDay was wrong to increase Mr H's credit limit.

Did NewDay act unfairly towards Mr H in some other way?

Mr H is unhappy NewDay sent him a default notice in October 2022. I can see Mr H contacted NewDay in August 2022 as he was no longer working and was having financial difficulties. It says at this time it offered breathing space and placed his account on hold until it then closed it on 7 November 2022. Mr H agreed a payment plan with its internal recovery team in February 2023. I think its actions were reasonable – typically we think it wouldn't be fair if the lender didn't send a notice of default by the point it's clear the borrower wasn't able to make their contractual payments.

My final decision

I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 November 2023.

Rebecca Connelley
Ombudsman