

The complaint

Mr K complains that NewDay Ltd trading as Aqua ('NewDay Ltd') irresponsibly gave him a credit card that he couldn't afford.

What happened

On 28 February 2019, Mr K applied for and was given a credit card with a credit limit of £600. The card had five increases to the credit limit of the card. They were increases to; £1,850 on 3 July 2019, £3,600 on 6 January 2020, £3,800 on 14 May 2020, £5,050 on 5 July 2021 and £6,550 on 7 December 2021.

In 2023, Mr K complained to NewDay Ltd to say that the credit card and the increases to the credit limit shouldn't have been given to him because they weren't affordable and that NewDay Ltd ought to have made a better effort to understand his financial circumstances before providing him with credit. NewDay Ltd declined to uphold the complaint. And Mr K brought his complaint to this service.

NewDay Ltd reviewed their position when the complaint came to us and agreed to uphold the complaint from the last increase to the credit limit on 7 December 2021. Mr K was unwilling to accept that. Our investigator thought the complaint should be upheld in part. She thought the complaint should be upheld from the increase on 6 January 2020. NewDay Ltd disagreed with that. So, the complaint was passed to me to decide.

My task in this decision is to determine whether I think that Mr K is entitled to more redress than he has already been offered by NewDay Ltd.

I issued my provisional decision on 15 December 2023 in which I said that I thought that Mr K was not entitled to more redress than he had already been offered by NewDay Ltd. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

NewDay Ltd 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 all of this out in this decision. Information about our approach to these complaints is set out on our website.

Our investigator's assessment provided a detailed account of all the increases of credit and they are summarised above. Neither party has called the specifics into question, so, I don't intend to cover them off here.

Mr K's complaint is that NewDay Ltd made credit available that was unaffordable. It's possible that NewDay Ltd failed to make adequate checks before providing Mr K with credit. But even if that's true, I don't think better enquiries would have caused NewDay Ltd to think the initial credit limit or the credit increases up until the last one were unaffordable.

I say this because Mr K has told us he enjoyed a salary that was not modest. The lending on this card was not insignificant, but not automatically unreasonable in comparison to the income Mr K had, even when added to his other borrowings.

It is not straightforward trying to determine affordability because Mr K has not been able to provide any bank statements from the times in question. I have noted the credit checks that NewDay Ltd completed at the times of the lending decisions. And I've noted the credit report that Mr K provided. That seems to confirm the information that NewDay Ltd saw when making their lending decisions. Mr K appeared to have been managing his existing credit with barely a blemish on his credit record until after the credit increases were provided.

I have to look at the information that was available to NewDay Ltd at the times it made its lending decisions and not to use hindsight. So, whilst Mr K did seem to experience some financial difficulty after the last credit increase, there was little in his financial circumstances to suggest that at the time that NewDay Ltd made its decisions to increase Mr K's credit at the times it did.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from either party to the contrary, I have seen insufficient evidence to think that the credit NewDay Ltd provided Mr K was unreasonable at the times it provided that credit.

As such, I have not found sufficient evidence to uphold all of this complaint, and I think that Mr K is not entitled to more redress than he has already been offered by NewDay Ltd. I agree with NewDay Ltd that the last credit increase on 7 December 2021 unfairly prolonged Mr K's indebtedness by allowing him to use credit he couldn't afford over an extended period of time and the interest being added would only have the effect of putting him into further debt. It follows that NewDay Ltd should put things right.

Putting things right

NewDay Ltd should:

- *Rework Mr K's accounts to ensure that from 7 December 2021 onwards interest is only charged on balances up to the total credit limit in place before that date on each account (£5,050) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed;*

and

- *If an outstanding balance remains on each account once these adjustments have been made NewDay Ltd should contact Mr K to arrange an affordable repayment plan for that account. Once Mr K has repaid the outstanding balance, it should remove any adverse information recorded on Mr K's credit file from 7 December 2021 onwards for each account.*

or

- *If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr K, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement.*

NewDay Ltd should also remove any adverse information from Mr K's credit file from 7 December 2021 onwards.†

†HM Revenue & Customs requires NewDay Ltd to take off tax from this interest. NewDay Ltd must give Mr K a certificate showing how much tax it's taken off if he asks for one."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 29 December 2023. NewDay Ltd has accepted my provisional decision.

Mr K has not acknowledged receiving my provisional decision, made a further submission for me to consider or asked for an extension to do so. I consider that Mr K has had time sufficient to have made further representations had he wished to do so. So, I am proceeding to my final decision now.

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.

Having considered afresh all the submissions made to me in this case and given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those provisional findings. And as I've already set out my full reasons for my findings (above), I have nothing further to add.

Putting things right

NewDay Ltd should put things right in the way set out above.

My final decision

For the reasons set out, I'm partially upholding Mr K's complaint. NewDay Ltd should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 1 February 2024.

Douglas Sayers
Ombudsman