

The complaint

Mr S complains that NewDay Ltd trading as Aqua was irresponsible in its lending to him. He also says that a default was unfairly applied to his account and NewDay didn't correctly handle his previous complaints regarding a change of address and access to his account.

What happened

Mr S was provided with an Aqua credit card by NewDay in September 2019 with an initial credit limit of £300. The credit limit was increased to £1,550 in January 2020.

Mr S says he moved to the UK in July 2019 and had no credit history and a low income, and he shouldn't have been offered such a high credit limit. He said he was unable to manage his finances and had adequate checks been carried out this would have been identified.

Mr S also says that he moved in March 2022 and contacted NewDay to update his address and complained that he couldn't access his account online or in the app. He says NewDay refused to change his address over the telephone and although a complaint was raised he didn't receive any communication from NewDay. Mr S received a letter from a debt collection company saying his Aqua credit card account had been closed and the debt had been passed to it in June 2022. Mr S paid the outstanding debt in July 2022, but he then discovered a default had been applied to his account in May 2022.

NewDay said that based on the information gathered at the time it was reasonable to provide the Aqua credit card with the initial limit of £300. It said that a review of Mr S's account management before the credit limit was increased showed that he hadn't incurred any late, cash or over limit fees and he was consistently making payments above the minimum required. It said that there was nothing to suggest the additional lending was inappropriate.

NewDay said it sent Mr S a default notice in November 2020 and confirmed his account had been terminated in December 2020. As it didn't hear from Mr S it sent him a letter dated 29 March 2022 saying a default would be registered. It said it issued a response to Mr S's complaint about the change of address in March 2022.

Our investigator thought that NewDay should have carried out an income and expenditure assessment before the Aqua credit card was provided. However, while he noted that Mr S had provided copies of his payslips from the time as he hadn't provided copies of his bank statements, he couldn't say that had further checks taken place these would have shown the lending to have been unaffordable. Regarding the credit limit increase our investigator noted that Mr S's account management to that time didn't raise concerns and nor did his credit file. However, he thought that Mr S's income should have been verified. But he said that he hadn't been provided with the evidence needed to be able to say what further checks would have shown and so he couldn't say the credit limit increase was unaffordable.

Regarding the other issues Mr S raised our investigator noted that Mr S had tried to update his address over the phone but that as he hadn't wanted to answer the additional security questions, he didn't think that NewDay had done anything wrong by not updating the address at that time. This meant the March 2022 final response letter and the letter about

the default being registered went to his old address. However, he noted that the default notice was sent in November 2020 and a termination note sent in December 2020 while Mr S was still living at the previous address. And so, he thought Mr S would have been aware of the status of his account. Therefore, he didn't require NewDay to take any further action in regard to the default.

Mr S didn't agree with our investigator's view. He said he had provided evidence of his income and he believed that NewDay didn't carry out adequate checks before lending to him. He said that he initially complained to NewDay that he couldn't access his account and it didn't help. He then contacted it to change his address but as part of the security questions he was asked to confirm his last transaction but as he didn't have access to his account, he wasn't able to do this. He said that NewDay could have asked him a different question or found a way to allow him to access his account and update his address. He said when contacted by the debt management company he paid his outstanding balance immediately and he didn't accept that the default had been applied fairly.

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.

Mr S has raised a complaint about the lending provided by NewDay being irresponsible and about a default being applied unfairly to his account following issues with account access and updating his address. I have dealt with these issues separately.

Irresponsible lending

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Mr S was provided with an Aqua credit card in September 2019. Before the account was provided information was gathered about Mr S's income and residential status. Mr S was recorded as being employed with an annual income of £16,518 and living in rented accommodation. He was recorded as having unsecured debt totalling £100 and a credit check didn't raise any concerns. That said, I think it would have been reasonable to ask further questions to ensure that lending to him would be affordable.

Mr S has provided copies of his payslips from the time and these show a weekly gross income of £250, this is lower than the annual income declared. But, noting that the credit limit provided was £300 and without further evidence I do not find that I can say further checks would have shown the lending to have been unaffordable.

Mr S's credit limit was increased to £1,550 in January 2020. Before this Mr S was managing his account well and making payments above the minimum required. He hadn't incurred any late fees or made any cash advances and his external debts hadn't increased. So, I do not find I can say his account management suggested that he was struggling financially. While I think it would have been reasonable for NewDay to check Mr S's income and expenses

before providing the increase, I do not have evidence to show that had this happened the lending would have been seen to be unaffordable.

Based on the above I do not uphold this part of Mr S's complaint.

Default being applied

Mr S said that the default was applied to his account unfairly. Before the default was applied he had tried to update his address with NewDay but it hadn't allowed him to do this and he had also told it he didn't have access to his account. I understand how upsetting this experience has been for Mr S and I appreciate the impact the default will have. But for me to uphold this part of Mr S's complaint I would need to find that NewDay had done something wrong or treated Mr S unfairly.

Mr S wasn't able to update his address when he contacted NewDay in March 2022. Unfortunately, NewDay hasn't been able to provide a copy of the call, but it has said that Mr S wasn't able to update his address on the call as he wasn't able to complete security. I note Mr S's comment about this, but I do not have evidence to say that NewDay did anything wrong at this point. I also note that at this time Mr S would have been aware that his address hadn't been updated and I would have expected him to make further contact to try to resolve this.

As Mr S's address wasn't updated, he didn't receive the letter from NewDay saying that a default would be registered. However, by this time I think that Mr S had been made aware of the status of his account and the action that would be taken if he didn't make the required payments. I say this because Mr S was sent a default notice in November 2020. This was before Mr S contacted NewDay about a new address and before he raised issues about account access. The notice set out the status of Mr S's account and the action he needed to take to prevent further action being taken. Because Mr S didn't take the action required by the default notice his account was terminated and he was sent a letter confirming this dated 5 December 2020. This letter said that Mr S should get in touch to work out an affordable repayment plan and provided information to Mr S in case he was facing financial difficulties. Based on the information I have seen I can't see that Mr S contacted NewDay in response to the termination notice.

So, while I note the issues Mr S has raised, in this case I find that Mr S was provided with the information he needed to be aware of the action that would be taken on his account and how to prevent this. Therefore, I do not find I can say the default was applied unfairly.

In conclusion, for the reasons set out above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 April 2024.

Jane Archer
Ombudsman