

The complaint

Mrs G complains that NewDay Ltd trading as Aqua Classic was irresponsible in its lending to her. She wants all interest, fees and charges refunded along with compensatory interest and any adverse information removed from her credit file.

Mrs G is represented by a third party but for ease of reference I have referred to Mrs G throughout this decision.

What happened

Mrs G was provided with an Aqua credit card account in September 2019 with an initial credit limit of £1,200. Her credit limit was increased on three occasions resulting in a final credit limit in January 2021 of £4,250.

Mrs G says that the lending was unaffordable and that adequate checks weren't carried out before the credit was provided.

NewDay issued a final response letter dated 3 October 2023. It said that when offering credit, it considered information from credit reference agencies as well as account behaviour and information provided by the customer. It said that when Mrs G applied for the credit card, she declared a gross annual income of £20,000 and unsecured debt of £100. It said that based on the information it received, Mrs G met its lending criteria and so the credit card, with a £1,200 credit limit, was provided.

NewDay said that prior to each credit limit increase an evaluation was carried out of Mrs G's account management as well as checking the status of her external accounts and amount of external debt. It said that the credit limit increases were applied in line with its lending policy.

Mrs G wasn't satisfied with NewDay's response, and her complaint was referred to this service.

Our investigator thought that further checks should have been carried out before the credit card was provided to understand what Mrs G's committed expenditure (including secured credit commitments) was. And she said that she hadn't seen enough to establish whether proportionate checks had taken place before the first credit limit increase. However, our investigator said that she hadn't seen enough evidence to say that had proportionate checks been undertaken at these times the lending shouldn't have been provided. Therefore, she didn't uphold this complaint regarding the account opening and first credit limit increase.

Our investigator noted that in the months leading up to the second credit limit increase Mrs G had arrears reported on her accounts. Although she noted that Mrs G maintained her minimum payment for her Aqua card, she thought the arrears showed she was struggling to manage her existing credit commitments. Because of this she didn't think that NewDay should have increased her indebtedness. She noted there then wasn't any sustained improvement in Mrs G's situation before the third credit limit increase was provided. Because of this she upheld this complaint regarding the second and third credit limit increases.

NewDay didn't agree with our investigator's view. It said that it wouldn't agree to upholding this complaint based on an external arrears marker alone. It said its affordability model took into account several factors before extending credit and noted that Mrs G was repaying the contractual amount on her card, and sometimes made payments of more than this. It said that bank statements for the period hadn't been provided and without this it didn't accept there was enough evidence to say the lending was unaffordable.

My provisional conclusions

I issued a provisional decision on this complaint, the content of which is set out below.

Mrs G was provided with a credit card in January 2019 with an initial credit limit of £1,200. The credit limit was increased on three occasions. Mrs G has been asked to provide copies of her credit report and bank statements for the time of the credit card application and credit limit increases but these haven't been provided. So, I have considered each of the lending decisions based on the evidence we have received and set out my findings below.

Credit card application – September 2019

When Mrs G applied for the credit card she declared that she was employed with a gross annual income of £20,000 and had £100 of unsecured debt. A credit check was undertaken and while this showed that Mrs G had three defaults, these were historic (most recent occurred 65 months prior to the application). She had no adverse public records, payday loans and no accounts in arrears. So, while I note the historic adverse data, I do not find this alone was enough to say the lending shouldn't have been provided. I think it reasonable that the outstanding value of the defaults would be considered. But taking this into account along with Mrs G's unsecured debt and noting that she had no current adverse data recorded on her credit file, I do not find I have enough to say that the credit card with an initial credit limit of £1,200 shouldn't have been provided.

First credit limit increase – May 2020

Mrs G's credit limit was increased to £1,500 in May 2020, around eight months after the credit card was provided. Mrs G had been making the required monthly payments and managing her account in line with its terms. She hadn't incurred any overlimit or late fees. So, I cannot say that Mrs G's account management raised concerns. The external data NewDay received from the credit reference agencies didn't suggest that Mrs G's indebtedness was increasing or raise other signs of financial difficulty. Therefore, without evidence to the contrary, I do not find I have enough to say that this credit limit increase was irresponsible.

Second credit limit increase – September 2020

NewDay increased Mrs G's credit limit to £3,000 in September 2020. This was a substantial increase and meant that the limit had more than doubled in a year. Given this, I think it would have been reasonable to have carried out further checks to ensure Mrs G's income and expenses supported the additional lending being affordable. However, as I have noted, I haven't received copies of Mrs G's credit report or bank statements from the time. So I have made my decision based on the information NewDay has provided about Mrs G's account management and her external credit commitments.

Looking at Mrs G's account management in the months leading up to the second credit limit increase, I do not find this raised concerns. Mrs G was making her monthly payments and didn't incur any late or over limit charges. She wasn't taking out cash advances and her balance was within the limit. The external credit data didn't show any substantial increase in

Mrs G's indebtedness and while there were arrears noted in July 2020, these were cleared in August 2020 and so I do not find this is enough to say that the additional lending shouldn't have been provided.

Basing the assessment on Mrs G's annual income of £20,000 (as provided at application) I do not find a total credit limit of £3,000 raised concerns and so without further evidence to show that proportionate checks would have identified this lending to have been unaffordable, I do not find I can say NewDay shouldn't have provided this additional credit.

Third credit limit increase – January 2021

Mrs G's credit limit was increased to £4,250 in January 2021. Again, noting the size of the credit limit I think it would have been proportionate for NewDay to have carried out further checks to ensure it had a clear picture of Mrs G's financial circumstances at that time. But as I haven't seen further evidence of this, I have relied on the information provided by NewDay about Mrs G's account management and external credit commitments.

In the months between the second and third credit limit increases, Mrs G kept her account balance well within the credit limit. She made her monthly repayments and didn't take out any cash advances. She incurred no overlimit or late payment fees. Therefore, I do not find that her account management raised concerns.

Mrs G's total credit commitments had increased but this appears to be in line with the NewDay credit limit increases and I do not find her total indebtedness raised concerns. However, Mrs G did have arrears reported on her credit file for three of the months leading up to the credit limit increase. These didn't get worse than a 'two' being recorded and they were cleared the month before the limit increase. So, while I think this should have raised concerns, without further details to show that Mrs G was beginning to struggle financially, or that the additional lending would be unsustainable for her, I do not find that I have enough to say that the credit limit increase shouldn't have been provided.

In conclusion, while I note that Mrs G did have some arrears recorded before the second and third credit limit increases, I do not find that I have enough evidence to say this meant the credit limit increases shouldn't have been provided. So, without further evidence, I do not find I can uphold this complaint.

No new information was provided in response to my provisional 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

There isn't a set list of checks that lenders need to complete, but they need to be borrower-focused. This means they need to consider things like the type of lending, the cost of the lending as well as the amount, how long the customer will need to make repayments for and the potential consequences of not meeting the repayments.

As no new information was provided in response to my provisional decision, my conclusions haven't changed.

For the reasons I set out, I think it would have been proportionate for NewDay to have carried out further checks, particularly before the second and third credit limit increases, to ensure the provision of the credit was sustainably affordable for Mrs G. However, as we haven't received evidence from Mrs G such as her credit file or bank statements from the time, I cannot say what further checks might have identified. And relying on the information I have received about Mrs G's account management and external debts, I do not find this was enough to say that the lending shouldn't have been provided.

I have also considered whether NewDay acted unfairly or unreasonably in any other way and have considered whether the relationship might have been unfair under section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't find I have enough to say that NewDay lent irresponsibly to Mrs G or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

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 Mrs G to accept or reject my decision before 22 July 2024.

Jane Archer
Ombudsman