

The complaint

Mr B complains that NewDay Ltd, trading as Aqua, irresponsibly provided him with a credit card account and credit limit increases (CLIs) that he couldn't afford.

What happened

In August 2021, Mr B applied for, and obtained, a NewDay credit card account. The credit limit was set at £1,200 and NewDay applied increases to the credit limit in November 2021 and March 2022 of £2,450 and £3,700 respectively.

In 2024, Mr B complained to NewDay that it had lent to him irresponsibly, causing him financial difficulty.

NewDay didn't uphold the complaint. It said it had carried out appropriate checks which showed Mr B could afford the credit it had provided him with in line with its lending policy.

Unhappy with NewDay's response, Mr B complained to this service. Our investigator didn't recommend that Mr B's complaint should be upheld. They believed, in essence, that NewDay should have carried out more checks regarding the two CLIs but that, ultimately, none of the lending decisions it had made on the account were unfair.

Mr B didn't agree with the investigator's findings so, the complaint was passed to me to review afresh.

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 done so, I don't uphold this complaint. I'll explain why.

NewDay was required to complete proportionate affordability checks prior to advancing credit to Mr B. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, NewDay needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Mr B's circumstances.

I can see that NewDay did obtain some information about Mr B's financial circumstances at the start of the account in 2021, including during the application process. As well as asking Mr B about his income, checks carried out by the credit reference agencies (CRAs) showed no signs of adverse information on his credit file such as defaults, arrears or county court judgments.

The signs were that Mr B was coping financially, including with his existing levels of debt which stood at £2,000 (unsecured). He said he had no accommodation costs. I'm not persuaded that, given the information it had gathered, NewDay ought to have carried out

further checks. And I'm satisfied, based on the available information and likely levels of disposable income, that it was responsible for NewDay to have lent to Mr B as it did.

Regarding the CLIs, the requirements for NewDay to carry out proportionate checks were essentially the same as for the initial lending decision. I'm mindful that the first CLI more than doubled Mr B's credit limit in a very short space of time. The second CLI saw the initial credit limit more than treble around seven months later. So, the amounts being lent were significant and NewDay's checks needed to reflect that.

The checks NewDay undertook on these occasions involved it reviewing Mr B's management of the account up until those points. As NewDay says, it seems from the available account information that Mr B was managing it well, for example, with no instances of late or missed payments or overlimit fees being applied. I gather it undertook further CRA checks as well.

Despite that, NewDay didn't investigate further before applying the CLIs. In contrast to what I've said about the start of the account, I think it would have been reasonable for NewDay to have carried out further checks given the amounts being lent. And that it hadn't yet verified Mr B's income or probed around his levels of expenditure.

I can't fairly uphold these aspects of the complaint just because I think further checks were warranted. I'd also want to see that Mr B suffered a loss as a result of NewDay not carrying out the checks it should have.

So, I've gone on to think about what NewDay might have discovered had it probed further regarding Mr B's finances in the lead up to the CLIs. I appreciate Mr B providing us with copies of his credit report and bank statements to give some insight here. On reviewing these, I can't see any significant areas of concern in relation to his finances.

I say that because it seems Mr B had a regular income of around £2,000 a month during these periods – in line with what he'd declared to NewDay when he applied for the account. Although he was using his overdraft facility, this was generally cleared once he was paid each month. He appears to have had sufficient disposable income to cope with the additional credit NewDay was offering him.

Similarly, Mr B's credit report revealed nothing untoward in the periods leading up to either of the CLIs. For example, there were no defaults or county court judgments, just as there weren't any showing to the CRAs when he applied for the account.

Overall, I don't think it was irresponsible of NewDay to have lent to Mr B in November 2021 and March 2022 either.

I've also considered whether NewDay acted unfairly or unreasonably in any other way. That includes 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 think NewDay lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 August 2024.

Nimish Patel
Ombudsman