

The complaint

Mr J complains that NewDay Ltd trading as Aqua lent to him irresponsibly.

What happened

Mr J's complaint is about a credit card supplied by NewDay. The account was opened in July 2021 with an initial credit limit of £1,200. The credit limit was increased to £2450 on 1 December 2021 and to £3450 on 29 April 2022.

Mr J complains that NewDay lent irresponsibly to him.

NewDay didn't uphold the complaint. It said it had carried out reasonable checks and that it had found the credit to be affordable.

Mr J remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said she thought that NewDay had carried out reasonable and proportionate checks and that the lending decision was fair.

Mr J didn't agree so I've been asked to review the complaint.

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 irresponsible and unaffordable lending is set out on our website. I've had this approach in mind when considering Mr J's complaint.

NewDay needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that NewDay should've carried out reasonable and proportionate checks to make sure Mr J could afford to repay what he was being lent in a sustainable way. These checks could take into account a number of different things such as how much was being lent, the repayment amounts, Mr J's income and expenditure and Mr J's credit history.

Account opening

I've reviewed the checks that NewDay carried out at the time Mr J applied for the card. Mr J told NewDay that his annual income was £9000. NewDay verified this income using an industry standard verification tool.

NewDay carried out a credit check to see what other credit commitments Mr J had. The credit check showed a debt-to-income ratio of 4.01%. The credit check showed that Mr J had defaulted on one account and that he had one county court judgment but both entries were historic and over 60 months old. The credit check showed that Mr J was up to date with his credit commitments with no recent missed/late payments, defaults or arrears.

Based on what I've seen, I'm satisfied that NewDay carried out reasonable and

proportionate checks before opening the account.

I've gone on to consider whether NewDay acted fairly when it lent to Mr J.

I've reviewed all the information. There's nothing to suggest that the lending was unaffordable for Mr J. I say this because the information gathered from the credit checks showed that Mr J's other credit commitments were well managed, and the level of other unsecured debt that Mr J had was proportionate in relation to his income. Mr J's credit history showed no cause for concern or any indication that he was in financial difficulties or otherwise unlikely to be able to sustainably repay the credit.

For these reasons I'm unable to say that NewDay opened the account irresponsibly.

Credit limit increases

The credit limit was increased in December 2021 and April 2022.

NewDay carried out credit checks before each credit limit increase. These showed that he was up to date with his other unsecured debt. At the time of each credit limit increase, Mr J's other credit commitments were proportionate in relation to his income, for instance at the time of the last credit limit increase Mr J's other credit commitments totalled £2,427.00.

NewDay also took into account how Mr J had been managing the credit card since he opened the account in July 2021.

Based on what I've seen, NewDay carried out reasonable and proportionate checks before each credit limit increase.

I've gone on to consider whether the credit limit increases were fair. Having reviewed all the available information, I'm satisfied that the lending was affordable for Mr J. there was nothing in the information obtained from the checks or from Mr J's conduct of the account to suggest that he wasn't able to sustainably repay the credit.

I've also considered whether NewDay acted unfairly or unreasonably in some other way, including 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 J or otherwise treated him 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 don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 November 2024.

Emma Davy
Ombudsman