

The complaint

Mr R complains that NewDay Ltd trading as Aqua was irresponsible in its lending to him. He wants all interest, fees and charges refunded along with statutory interest and any adverse information removed from his credit file.

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

What happened

Mr R applied for a credit facility with NewDay on 30 October 2022. He was provided with a credit account with a credit limit of £450.

Mr R said that adequate checks weren't carried out before the credit was provided to ensure that it would be sustainably affordable for him. He said that he was struggling financially at the time and had several other debts outstanding. He said he utilised the full credit limit and could only afford to make the minimum repayments.

NewDay issued a final response to Mr R's complaint dated 12 June 2024. It said it carried out a comprehensive affordability assessment before providing credit to Mr R. It explained that the assessment was based on information provided by Mr R in his application along with information from the credit reference agencies. It said that Mr R was provided with an Aqua credit card in November 2022 at which time he declared an annual income of £33,500. It said the credit check didn't raise concerns and it believed its checks to be proportionate and the account to be affordable.

Mr R referred his complaint to this service.

Our investigator noted that Mr R's account was opened with an initial credit limit of £450. He thought the checks carried out before the lending was provided were reasonable and as these didn't raise concerns about the affordability of the lending, he didn't uphold this complaint.

Mr R provided copies of his bank statements for the months leading up to the credit facility being provided. However our investigator explained that as he thought the checks carried out by NewDay were reasonable and proportionate he didn't require it to consider Mr R's bank statements and so this information didn't change his view.

Mr R asked for his complaint to be referred for an ombudsman 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.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr R was provided with a credit card account with a £450 credit limit. The credit limit wasn't increased. Before the credit facility was provided, NewDay gathered information about Mr R's employment and income and carried out a credit search. Mr R declared an annual gross income of £33,500 and his monthly credit commitments were recorded as £1,407. Given the size of the credit limit compared to Mr R's income and noting the amount that would need to be repaid on this, I think that the checks carried out were proportionate.

As I think reasonable checks were carried out before the credit facility was provided, I have considered what information was received from the checks to assess whether this should have raised concerns about the lending. Mr R's declared income was £33,500 a year which would give a net monthly income of around £2,210. Mr R's credit commitments were recorded as £1,407 leaving around £800 for his other essential bills and living costs. As the minimum repayment on the credit facility (if fully utilised) would be around £25, I do not find that I can say NewDay was wrong to consider this to be affordable for Mr R.

The credit check didn't show any defaults or repayment plans and while Mr R did have a high debt to income ratio and there was a missed payment reported within the previous six months, I do not find this was enough to say that the lending shouldn't have been provided. And, given the amount of credit being provided and the cost of the repayments (while noting Mr R's income), I do not find that further checks were required in this case.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr R complained about, including whether its relationship with Mr R might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr R 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

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 R to accept or reject my decision before 31 December 2024.

Jane Archer
Ombudsman