

The complaint

Mr M complains that NewDay Ltd trading as Aqua, increased his credit limits on the credit card it had approved for him without carrying out the right checks. Mr M says that if it had done the correct checks, it would have seen that he was a heavy gambler and he was not able to afford the card repayments.

What happened

Mr M complained in April 2024 and NewDay's final response letter (FRL) was issued to Mr M in June 2024.

NewDay said that it had carried out the correct checks before approving the card and the four credit limit increases and it did not uphold his complaint.

It also said in that FRL that Mr M had contacted it in October 2023 asking for help and that had been given to him. Here is a table of the relevant information about the card account.

| Date | Event | Credit limit | Increased to |
|-----------------|-------------------------|--------------|--------------|
| July 2021 | Card approval | £1,200 | - |
| 1 December 2021 | Credit Limit increase 1 | From £1,200 | £2,450 |
| 16 March 2022 | Credit Limit increase 2 | From £2,450 | £3,450 |
| 23 March 2023 | Credit Limit increase 3 | From £3,450 | £4,300 |
| 21 July 2023 | Credit Limit increase 4 | From £4,300 | £5,800 |

NewDay has closed the card account and Mr M cannot use it any longer. He has an outstanding balance. Mr M wants the debt written off.

Mr M referred his complaint to the Financial Ombudsman Service. One of our investigators considered the complaint and did not think that NewDay needed to do anything to put things right. Mr M disagreed. He said –

'This is just a load of waffle. My situation has not been taken into consideration at all, especially considering the cost of living crisis and other bills I am paying. You keep going on about a certain % of my monthly wage, what about my survival and all my bills added up. This is a disgrace. I would like to take this further.'

The unresolved complaint was passed to me to decide. And having reviewed it, and having read Mr M's response to our investigator's view, I asked both parties for more information. But it was not received from either party.

On 7 April 2025, I issued a provisional decision. That is duplicated on the next pages for ease of reading. The reply date for both parties was 21 April 2025. Due to the recent bank holidays I have waited a further few days before issuing my final decision today.

What I provisionally decided on 7 April 2025 – 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 approach to unaffordable/irresponsible lending -

including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr M was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr M, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time it approved the new card for Mr M and when it applied the credit limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

Also, I'll consider whether NewDay acted unfairly towards Mr M in some other way.

The initial card approval July 2021

NewDay has provided details of the information it had from Mr M at the time of the application – his income was £24,000 each year. It calculated that this translated into £1,733 each month after tax. I have read the NewDay approach to new lending and I can see that this was applied.

It then used a cost of living figure of £439 a month and credit commitments of £266 a month having carried out a credit search. In the circumstances I consider that NewDay carried out proportionate checks, and applied a credit limit of £1,200 which was proportionate to the information it had about Mr M. I do not uphold Mr M's complaint about the initial card approval.

Credit limit increases – general points

NewDay says Mr M would have been provided with the credit limit increases based on how his credit card was being managed. It had access to credit information, which showed his external debt, and some information on his income and expenditure.

In its view, the information obtained indicated that Mr M's existing debts, as well as his NewDay credit card, were being reasonably managed and as such it wasn't unreasonable to have increased the credit limit on the card on the occasions that it did. On the other hand, Mr M says that the limit increases shouldn't have been provided. I've considered what the parties have said.

What's important to note is that Mr M was provided with limit increases to a revolving credit facility rather than a loan. And this means that NewDay was required to understand whether credit limits of £2,450, £3,450, £4,300 and £5,800 could be repaid within a reasonable period, rather than all in one go.

Credit limits of £2,450, £3,450, £4,300 and £5,800 didn't require huge monthly payments to clear the full amount owed within a reasonable period. I say this particularly as a reasonable period, in these circumstances, is likely to equate to the payments for a loan term for equivalent loan amounts. And I have used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions. Extracts from these are set out here:

CONC 5.2A.28 G

A Firm must 'have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit.'

CONC 6.7.33 G suggests that such a term would usually be between three and four years.

An example is that £4,300 over say an equivalent loan term of say 36 months would equate to around £140 a month including interest. This is a rough calculation and not an exact figure. It has been used by me as a guide figure when considering the repayments expected. I have kept these FCA guidance paragraphs in mind when considering the complaint.

Credit limit increases 1 and 2

When NewDay assessed Mr M for the limit increases, it would have reviewed how he had been running the credit card account. I have seen those records and having reviewed them I am satisfied that NewDay had information on his net income, his payments to other creditors, his overall credit position in terms of there being no insolvencies or recent use of payday loans.

Mr M had repaid the card regularly and with significantly more than the minimum repayment figures calculated each month. For example, the amount due in November 2021 was £31 and Mr M paid off £467. And in January 2022, Mr M paid off £1,383.

Mr M did incur a late fee charge on the February 2022 credit card statement but when taken within the context of the rest of the credit picture NewDay had for Mr M, I do not consider this to have been enough for it to have concluded these credit limit increases were irresponsibly provided.

I am satisfied that for the credit limit increases in December 2021 and in March 2022 NewDay carried out proportionate checks and made fair and reasonable lending decisions. I do not uphold Mr M's complaint about credit limit increases 1 and 2.

Credit limit increases in March 2023 and July 2023 – credit limit increases 3 and 4

At this stage – March 2023 - the credit limit for Mr M was at £3,450. His outstanding balance on that card account had been £3,074 in March 2023. He'd just paid £605 off the balance and that had been over the minimum repayment due.

But the month before he had incurred a late fee, plus during the period between the last increase and increase three, he'd incurred three other late fees. And Mr M had made use of a payday loan, which had taken two months to pay off. And from reviewing the NewDay information it had obtained, his percentage use of his overall credit limit was 93% at that time. This reduced to 86% use just before this planned credit limit increase. I've thought about these details.

As a positive indication Mr M's income had increased from around £1,600 after tax each month according to the earlier NewDay records to £3,309 monthly income after tax. But I think the combination of a large increase in income and the relatively recent use of payday loans and the four late payment fees since the previous credit limit increase the year before all leads me to think that NewDay ought to have done some further checks.

I have reasons to consider that additional checks ought to have been carried out before credit limit increase number 4 in July 2023 as well. However, for me to conclude whether the credit limit increases for 3 and for 4 were irresponsible, I would need to see what additional checks carried out by NewDay would have likely revealed.

To that end, I requested additional information from both Mr M and from NewDay. These were requested with deadlines of 3 April 2025 and as I have not received anything from either party then I am not able to take this much further.

The first time NewDay was asked for the statements of the credit card account to show us more detail was in October 2024. I have asked twice since then. The last deadline was 3 April 2025.

As for Mr M, in November 2024, Mr M asked for the matter to be reviewed by an ombudsman. My request for copies of bank statements was in March 2025 and details to show his self-

employed income. There was a deadline of 3 April 2025 which has passed and so I have proceeded on the evidence I have on file.

In the circumstances I plan not to uphold the complaint about credit limit increases 3 and 4.

The Oct 2023 help

Again, I appreciate that NewDay has said in its final response letter to Mr M that it did help Mr M when he approached it for help in October 2023 but despite asking for account notes and details of what took place around that time, nothing has been received. These were asked for more than once.

So, I cannot take this much further, I accept what NewDay has told us and so I plan not to uphold this part of his complaint.

Did NewDay act unfairly or unreasonably in some other way?

I've also considered whether NewDay acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr M 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.

This is the end of the duplicated 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.

My first point is that the CONC 6.7.33 G FCA guidance is just that - a guide. And so the very rough figures I set out in my provisional decision are not figures I applied – they were an indication and very rough at that. I have used the guidance by keeping it in mind when I have applied the FCA rules when coming to my decision.

My second point relates to the fact that there has been no response from Mr M despite him asking for an ombudsman to review the decision. But as I have said in correspondence and as I have explained in the provisional decision, I needed to be able to see what it is that NewDay may have seen if it had carried out further financial checks on Mr M for credit limit increases 3 and 4.

In the absence of that information, I am not persuaded that NewDay did anything wrong before increasing the credit card limits on those occasions.

I asked NewDay for information about how it assisted Mr M in October 2023. It has sent me account notes which demonstrate that Mr M is continuing to pay £57 each month and that while that payment plan is adhered to Mr M will not be charged any further interest. I have no additional information.

So, in relation to this part of Mr M's complaint – about the help given to him in October 2023 - I have to accept what NewDay has told us in the FRL and with the evidence from the recent account notes and so I do not uphold this part of his complaint.

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My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 May 2025.

Rachael Williams
Ombudsman