

The complaint

Mr C, represented by a third party, complains that NewDay was irresponsible in its lending to him.

What happened

In April 2017 NewDay provided Mr C with a credit card with an initial limit of £300. The limit was increased on five occasions bringing it to £4,850 in February 2019 and to £5,750 in July 2019. Mr C says that the lending was unaffordable and was irresponsibly provided to him by NewDay.

Mr C's complaint was considered by one of our investigators who came to the view that NewDay had made fair lending decisions in April 2017 and in February, June and October 2018 (when the limit was increased to £750, £1,850 and £3,100 respectively) but it hadn't made a fair lending decision in February 2019 (when the limit was increased to £4,850).

Mr C accepted the investigator's view but NewDay didn't respond to it. And because of the latter Mr C's complaint was passed to me for review and decision.

In early December 2024 I issued a provisional decision on this case. In summary I said:

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've followed it here.

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

Mr C accepted the investigator's view that NewDay's lending decisions in April 2017 and February, June and October 2018 were fair. So in this decision I've restricted my review to NewDay's lending decisions after October 2018 and in particular its decision to increase the limit to £4,850 in February 2019.

Despite how Mr C might have been managing his credit card prior to February 2019 and despite what any credit search undertaken by NewDay might have confirmed about Mr C's personal circumstances and financial position more generally this granted limit increase was significant at £1,750 (or 56%) and was granted within just 4 months of the previous credit limit increase of £1,250 (or 67%).

So with this in mind I think NewDay should have undertaken further checks into Mr C's personal and financial circumstances including checks into his income and expenditure, in particular his non-discretionary expenditure.

I've looked at Mr C's bank statements prior to the February 2019 limit increase to get an idea of what further checks might have shown. I'm not saying NewDay needed to do exactly this but it's a reliable way for me to understand the likely results of further checks. And had NewDay carried out further checks I think it, as a responsible lender, would have made a different decision than it did and not offered Mr C a limit increase.

Immediately prior to the limit increase Mr C's average net monthly income was around £920 and his average non-discretionary expenditure (excluding food and rent) was around £600, leaving a balance of £320 for food, rent, other discretionary expenditure and for repayments towards his NewDay credit card.

Given the above and given that at 5% Mr C would have been required to pay NewDay £240 for a fully utilised credit limit of £4,850 I don't think NewDay would have increased Mr C's limit had it carried out further and proportionate checks.

In reaching this conclusion I've also considered whether the lending relationship between NewDay and Mr C might have been unfair to Mr C under section 140A of the Consumer Credit Act 1974 ("CCA").

But I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

In circumstances where an irresponsible lending complaint has been upheld, we would usually ask the business to refund interest and charges applied to the account, as recommended by the investigator.

However, in this case, although I've found the February 2019 credit limit increase to have been unfair I can see, based on a credit report provided by Mr C himself, that Mr C's balance never exceeded £3,000 and he closed the account in 2020. So no charges and interest have been incurred as a result of the unfair credit limit increase (from £3,100 to £4,850).

Therefore, although I've upheld the complaint, I won't be asking NewDay to refund any interest or charges.

Neither party responded to my provisional findings by the date I gave for responses to be received by our service.

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.

As neither party responded to my provisional findings by the date I gave for responses to be received by our service I can confirm that I see no reason to depart from those findings and I now confirm them as final.

My final decision

My final decision is that I uphold this complaint but for the reasons I've explained, NewDay Ltd trading as Aquacard need to do nothing further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 January 2025.

Peter Cook
Ombudsman