

## The complaint

Mrs S complains that NewDay Ltd, trading as Aqua ("NewDay") lent to her irresponsibly when it approved a credit card for her in September 2017 as well as the four subsequent credit limit increases.

## What happened

NewDay approved the card for Mrs S in September 2017 with a £450 credit limit. A fellow ombudsman has determined that this card approval was a lending decision by NewDay which falls outside our jurisdiction. So, that is not part of this decision. I have reviewed NewDay's decisions to increase Mrs S' limits.

Three credit limit increases (three of which were automatically offered by NewDay) were offered to Mrs S and the brief loan table here gives a few details.

Date offered	Former limit	New limit	Balance of card at time of offer (rounded)
23 February 2018	£450	£1,350	£326
22 June 2018	£1,350	£2,750	£674
26 October 2018	£2,750	£4,000	£1,685
22 August 2019	£4,000	£6,000	£3,701
Autumn 2019	£6,000	£3,950 - decrease	£3,746
April 2020	£3,950	Zero - decrease	£4,216

Mrs S made her complaint to NewDay in December 2023. NewDay responded in relation to the Aqua card in March 2024. A successful resolution about a complaint about a different card offered by NewDay (an AO card) had already been resolved. Following the final response letter, after the complaint had been referred to us, NewDay said that it had decided to uphold Mrs S' complaint about the fourth credit increase on 22 August 2019 for the Aqua card as well. Soon after that the limit was decreased.

One of our investigators looked at the credit limit increases in 2018 (all three of them) for the Aqua card and thought that NewDay had not made any irresponsible lending decisions. So, she did not uphold the complaint. She directed that as NewDay had already upheld that part of the complaint about the fourth credit limit increase and had refunded what it needed to refund then she said she was not going to ask NewDay to do anything more.

Mrs S wanted an ombudsman to review the complaint, so it was allocated to me.

I will not be revisiting the jurisdiction issues. I have not looked into the fourth credit limit increase in August 2019 as that has been upheld and refunded by NewDay. This decision covers the three 2018 credit limit increases only.

## 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 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 Mrs S was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mrs S, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her 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 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.

The approach by NewDay is not just looking at the likelihood of the credit being repaid, but the impact of the repayments on Mrs S. There is no set list of checks that it had to do, but it could consider several different things such as the amount of credit being applied for, the likely monthly repayments and the overall circumstances of the borrower.

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

### *General points*

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

In its view, the information obtained indicated that Mrs S' existing debts, as well as her 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, Mrs S says that the limit increases shouldn't have been provided to her. I've considered what the parties have said.

What's important to note is that Mrs S 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 £1,350, £2,750, and £4,000 could be repaid within a reasonable period, rather than all in one go.

Credit limits of £1,350, £2,750, and £4,000 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 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 £4,000 over say an equivalent loan term of say 36 months would equate to around £120 a month including interest. This is a rough calculation. I have kept these FCA

guidance paragraphs in mind when considering the complaint.

*Credit limit increases 23 February 2018 £450 - £1,350 and 22 June 2018 £1,350 - £2,750*

When NewDay assessed Mrs S for the limit increases, it would have reviewed how she had been running the credit card account. I have seen those records. Mrs S was paying the minimum payments figure requested of her, or a sum higher than that for each of the three months leading up to each of the credit limit increase offers. So NewDay would have seen a satisfactorily managed account. She had no over-limit or late payment charges.

NewDay had at least two sets of external credit bureau data recorded on the spreadsheet information I have. This showed that Mrs S had a history of defaults and a history of having had a payday loan, which NewDay had known about when the account was approved in 2017. And so, I do not consider that NewDay would have been concerned about that historic information. For the NewDay card Mrs S had no over limit charges, late payment charges and she was not late or had any arrears recorded for her other external debt. That external debt stayed around the same at about £7,600 for all the months leading up to both credit limit increases.

So, this combined with the satisfactory running of the credit card account for the previous months was not likely to have prompted NewDay to consider any additional checks were required. The checks NewDay had carried out for the two sets of credit limit increases in February 2018 and in June 2018 were proportionate to the increases in the credit limits. And it had satisfied itself Mrs S was able to pay down the card (if used to the full limit) within a reasonable time.

I consider NewDay made a fair and reasonable lending decision and my decision is that I do not uphold this part of Mrs S' complaint.

*Credit limit increase 26 October 2018 £2,750 - £4,000*

As well as reviewing the same sort of information and account management details New Day had looked at for the first two credit limit increases, it had records of Mrs S' external debt.

In relation to this NewDay card, Mrs S had used it twice for cash withdrawals in June 2018 and once in September 2018 and had one late payment fee in July 2018. I've thought about these. Everyone experiences cash flow issues from time to time, and the withdrawals by Mrs S were rare and appeared to be concentrated into a short time frame. So, it did not look to have been a protracted period of needing cash from her credit card which could have indicated Mrs S was experiencing financial difficulties. I don't think that was the case here.

At the same time, her external debt had reduced significantly to around £2,000. There were no other markers or indications of any concerns in relation to the debts Mrs S owed to other creditors.

I've read that our investigator considered that additional checks were required for this credit limit increase, but I disagree. I consider that NewDay did not have enough to alert it to the need to carry out further checks. And even if it had, our investigator did not consider that those additional checks would have made a difference to NewDay's decision to offer the credit limit increase at this point.

The checks NewDay had carried out for the credit limit increase in October 2018 were proportionate to the increase in the credit limit. And it had satisfied itself Mrs S was able to pay down the card (if used to the full limit) within a reasonable time.

I consider NewDay made a fair and reasonable lending decision and my decision is that I do not uphold this part of Mrs S' complaint.

The fourth credit limit increase is one that NewDay has already decided ought not to have been given to Mrs S and it has rectified that already. I don't think that NewDay need to do anything other than what it has already done to resolve this 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 Mrs S or otherwise treated her 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 the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 7 February 2025.

Rachael Williams  
**Ombudsman**