

## **The complaint**

Mr J complains that NewDay Ltd, trading as Aqua, irresponsibly provided him with a credit card and credit limit increases.

Mr J is supported in bringing this complaint by a representative. But, for ease, I'll refer to any actions or submissions as being those of Mr J himself.

## **What happened**

NewDay provided Mr J with a credit card in February 2016. The initial credit limit was £300. The credit limit increased in the following way:

- Increased to £1,300 in July 2016
- Increased to £2,550 in February 2017
- Increased to £4,000 in August 2017
- Increased to £5,200 in January 2018
- Increased to £6,700 in November 2018
- Increased to £8,000 in March 2020

In summary, Mr J says he wasn't asked questions to confirm he could repay the credit sustainably and he already had multiple other debts when the credit was provided. Mr J also says he struggled to pay for essentials because of these repayments, and he could only afford to make the minimum payment towards his debt.

NewDay didn't issue a response to the complaint within the timescales it had to respond, so Mr J brought his complaint to this service. One of our Investigators reviewed matters and ultimately thought that NewDay ought to have asked further questions before increasing the credit limit. But he didn't think further checks, in addition to what it already knew, would have shown the lending was unaffordable.

NewDay didn't dispute this opinion, but Mr J did. Ultimately, following some further correspondence with the service, Mr J asked for a 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.

The rules and regulations in place at the time NewDay provided Mr J with credit required it to carry out a proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means NewDay had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr J. In other words, it wasn't enough for NewDay to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr J.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether NewDay did what it needed to before lending to Mr J.

The opening limit of £300 was provided in February 2016. NewDay asked Mr J for his gross annual income, which he declared as £30,000. NewDay also carried out a credit check which revealed that Mr J had total unsecured debt balances of £200 and no recent issues managing his debts. NewDay needed to be satisfied that Mr J could repay £300 within a reasonable period of time. Considering the inputted information about Mr J's income, and that NewDay's checks didn't reveal any obvious financial difficulties, I don't think it was wrong to issue the card and provide a limit of £300.

The first credit limit increase to £1,300 took place later in the year. There were then five more increases which took place over the next few years until the limit reached £8,000 in March 2020.

Mr J generally made large repayments towards the facility over the period where NewDay increased his limit and he managed the card well during this time. That being said, there were often several large cash advances on the card. It could certainly be argued that these aren't always, in isolation, a cause for concern – especially considering the large repayments Mr J was making towards the card. However, I've also kept in mind that the limit was increased several times over the period of a few years, and by quite some margin. Mr J's overall indebtedness also increased, particularly around the time the later increases took place. So, considering the combination of all these factors, I think NewDay could have asked more questions about Mr J's income and committed expenditure – especially when the later limit increases took place – to satisfy itself that it was appropriate to increase the credit limit.

This service asked Mr J to provide bank statements from around the time the lending decisions were made, to piece together what NewDay likely would have seen had it asked further questions about his income and committed expenditure. Whilst Mr J did provide some bank statements, I'm conscious that his main current account statements are missing for some of the relevant dates despite this service's requests for these. So, it's difficult to understand what further checks would have revealed here.

Having reviewed the statements I do have available, I'm persuaded that had NewDay asked Mr J questions about his income and committed expenditure, it would have likely found that further lending would have been affordable for him. So, overall and based on the available information, I'm not persuaded that NewDay was wrong to provide the credit limit increases either.

I note Mr J says he had trouble managing the facility however, as outlined above, the card was generally managed well, with Mr J regularly making large repayments towards the balance. I've not seen anything to suggest there were sustained periods of difficulty managing the card over the period, to the extent that I would have expected NewDay to not lend. I also can't see Mr J made NewDay aware of any struggles during the period. I understand Mr J was out of work temporarily during the Covid-19 pandemic, but this was after the final lending decision, so I'm not persuaded this means NewDay did something wrong when it increased his credit limit.

Therefore, having carefully considered all the available information, I'm not persuaded that NewDay irresponsibly provided Mr J with the credit card or the limit increases. I've also

considered 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 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 don't uphold this complaint for the reasons outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 12 February 2025.

Hana Yousef  
**Ombudsman**