

The complaint

Ms S complains that NewDay Ltd was irresponsible in its lending to her. She wants all interest and charges she has paid refunded along with statutory interest.

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

What happened

Ms S was provided with two credit card accounts by NewDay. An Aqua card account was provided in May 2017 with an initial credit limit of £600. This was increased on three occasions to £5,000 in May 2021. The credit limit was then decreased in April 2024 to £2,000. The second credit card was a Pulse account provided in June 2021 with an initial credit limit of £500 which was increased on two occasions giving a credit limit of £3,500 in May 2022.

Ms S didn't think that adequate checks were carried out before the lending was provided noting that she wasn't required to provide proof of her income.

NewDay issued a final response dated 17 June 2024. It said it carried out comprehensive affordability assessments before lending, using information provided by the customer as well as data from the credit reference agencies and any information it held internally. It said that the checks carried out before the credit card accounts were provided didn't raise concerns and supported the repayments being affordable. It said it carried out further checks including assessing how Ms S was managing her accounts before the credit limit increases were applied and these didn't raise concerns. It didn't accept that it had lent irresponsibly to Ms S.

Ms S referred her complaint to this service.

Our investigator thought the checks carried out before the accounts were opened and credit limit increases applied were reasonable. She considered the information received through these checks and as this didn't suggest the lending to be unaffordable, she didn't uphold this complaint.

Ms S didn't agree with our investigator's view.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

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.

Aqua credit card account opening

Ms S was provided with an Aqua credit card account in May 2017 with an initial credit limit of £600. Before the credit was provided, NewDay gathered information about Ms S's employment, income and housing costs and carried out a credit check. Ms S declared an annual income of £70,000 which resulted in a calculated net monthly income of around £3,417. The credit check showed she had no recent defaults (the most recent default had been recorded 52 months before the application), no delinquent accounts, bankruptcies or county court judgements. Ms S didn't have any outstanding payday loans, but she did have other credit commitments. The repayments to these were noted as around £1,261.

Considering the size of the credit limit being provided and the repayments that would be due on this compared to Ms S's net monthly income. And as her credit report didn't show any signs of recent financial difficulty, I think the checks carried out before the account with a £600 credit limit was provided were proportionate. As these suggested the credit to be affordable for Ms S, I do not find I can say that NewDay was wrong to provide her with the Aqua credit card account.

Aqua credit card account – first credit limit increase

Ms S had been using her Aqua credit card account for over a year when the first credit limit increase was applied. This increased her credit limit to £1,500. Having looked at Ms S's account management up to that time she was generally managing her account well. There was an overlimit charge applied in May 2018, but no other charges were applied in the months leading up to September 2018. Therefore, I do not find that Ms S' account management meant that further credit shouldn't be provided.

The credit information from the time showed Ms S had an outstanding mortgage of around £145,000 and other debts of around £26,000. Her monthly mortgage payment was recorded as £778. While I note that Ms S had existing credit commitments, she appeared to be managing these and noting her previously declared income and the costs identified for her credit commitments, I do not find I have enough to be able to say the credit limit increase to £1,500 should have been considered unaffordable.

Aqua credit card account – second credit limit increase

Ms S was offered a credit limit increase to £3,500 in January 2020. Ms S's account details show she was generally managing her account well in the months leading up to the credit limit increase. She did incur a late fee in November 2019, but this appeared to be an isolated occurrence and her account was brought up to date. Therefore, I do not find that Ms S' account management meant that further credit shouldn't be provided.

The credit data from the time showed Ms S's monthly mortgage payments as £776, her loan repayments as around £182 and her credit card repayments as around £529. Ms S's credit file didn't show signs that she was struggling to manage her commitments and based on the

evidence I have seen, I do not find I can say that the credit limit increase should have been considered unaffordable.

Aqua credit card account – third credit limit increase

Ms S was offered a credit limit increase to £5,000 in March 2021. In the months leading up to the increase, Ms S had been managing her account well, with no charges being applied. She was remaining within her credit limit and made payments above the minimum, including clearing the account in November 2020. Therefore, I do not find that Ms S's account management raised concerns.

The credit data didn't suggest that Ms S was struggling to manage her commitments. Ms S's assessed income was recorded as around £6,400 and deducting her payments for her mortgage, other credit commitments and other costs I do not find this suggested the credit limit increase to be unaffordable. Therefore, I do not find I have enough to say that NewDay shouldn't have provided the credit limit increase to £5,000.

I note that Ms S's credit limit was reduced in 2024 to £2,000.

Taking everything into account, I do not find I can say that NewDay was wrong to provide Ms S with the Aqua credit card account or the increases in the credit limits. Therefore, I do not uphold this part of her complaint.

Pulse credit card account opening

Ms S was provided with a Pulse credit card account in June 2021. At this time, she already had her Aqua credit card account with a £5,000 credit limit. While Ms S's management of her Aqua credit card account hadn't raised concerns, I think it reasonable that the credit limit on this account was considered as part of the assessment when deciding whether to provide Ms S with a second credit card account.

Before the account was opened, information was gathered about Ms S's income and housing costs and a credit check was carried out. Ms S declared an annual income of £75,000 which resulted in a calculated net monthly income of around £4,500. The credit check showed she had no defaults, delinquent accounts, bankruptcies or county court judgements. Ms S didn't have any outstanding payday loans, but she did have other credit commitments. The repayments to these were noted as around £1,083. Deducting Ms S's housing costs and repayments for her existing credit commitments along with an amount for her general living costs, didn't raise concerns that this credit card, with an initial credit limit of £500 would be unaffordable.

Pulse credit card account – first credit limit increase

The credit limit on Ms S's Pulse credit card was increased substantially to £3,000 the month after it was supplied. While NewDay had no historic data on Ms S's usage of the card at this time, it did have her account history from her Aqua card, and I do not find this raised concerns. Given the timing of the credit limit increase, I have looked at the information obtained when the account was opened, and I do not find this raises concerns that the increased credit would be unaffordable for Ms S.

Pulse credit card account – second credit limit increase

Around a year after the first credit limit increase Ms S's credit limit was increased for a second time to £3,500. In the months leading up to the limit increase, Ms S's account management didn't raise any concerns. She was keeping well within the credit limit and the

account was in credit at the time the increase was offered. While Ms S did have a reasonably high level of credit commitments additional to her mortgage, she was managing these and based on her assessed income and expenses, I do not find I can say the credit limit increase should, have been considered affordable.

Taking everything into account, I do not find I can say that NewDay was wrong to provide Ms S with the Pulse credit card account or the increases in the credit limits. Therefore, I do not uphold this complaint.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Ms S has complained about, including whether its relationship with her 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 Ms 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 this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 21 April 2025.

Jane Archer
Ombudsman