

The complaint

Mr E complains that NewDay Ltd lent irresponsibly when it approved two credit card applications he made and increased the credit limits.

What happened

Mr E applied for a Fluid credit card in May 2018. In his application, Mr E said he was employed and had a monthly income of £4,456. NewDay applied estimates for Mr E's housing costs and general living expenses totalling £830. NewDay also carried out a credit search and found Mr E had outstanding debts totalling around £14,300 with monthly repayments of £323. NewDay applied its lending criteria and calculated Mr E had an estimated disposable income of £3,302 after meeting his existing outgoings. NewDay approved a Fluid credit card with a limit of £900.

NewDay increased the Fluid credit limit to £1,650 in April 2019 and £3,150 in June 2023.

In November 2022 Mr E applied for an Aqua credit card. In this application, Mr E said he was employed with a monthly income of £2,273. NewDay applied estimates for Mr E's housing costs and general living expenses totalling £686. NewDay looked at Mr E's credit file and found he owed around £13,000 and was making monthly repayments of around £399. NewDay applied its lending criteria and calculated Mr E had an estimated disposable income of £1,187 after meeting his existing outgoings. NewDay approved an Aqua credit card with a limit of £1,200. NewDay increased the Aqua credit limit to £2,050 in April 2023.

Last year, Mr E complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving Mr E's credit card application and later increasing the credit limits. NewDay didn't agree it lent irresponsibly to Mr E and didn't uphold his complaint.

An investigator at this service looked at Mr E's complaint. They thought the decisions to approve both credit cards were reasonable based on the information NewDay obtained. But the investigator thought NewDay should've considered a more detailed approach before increasing the credit limit on both accounts. The investigator asked Mr E's representatives to supply bank statements for the months before each credit limit increase so they could get a better picture of his circumstances. They also requested an up to date copy of Mr E's credit file. But the requested documents weren't forwarded so the investigator considered Mr E's complaint based on the available information. The investigator said that without additional information they were unable to fairly reach the conclusion NewDay lent irresponsibly by increasing Mr E's credit limits and didn't uphold his complaint. Mr E asked to appeal, so his complaint has been passed to me to make 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.

Before agreeing to lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr E could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Mr E applied for his Fluid credit card he confirmed he was employed full time with an income of £4,456 a month. I can see NewDay applied estimates for Mr E's housing costs and general living expenses totalling £830. NewDay's explained the use of estimates for regular outgoings is in line with the lending rules it operates under. NewDay also carried out a credit search. I can see NewDay found Mr E had three defaults, the newest of which was recorded 16 months before his application was made. No other adverse credit or recent missed payments were found on Mr E's credit file. NewDay has confirmed it's a second chance lender and that some defaults are allowed at the point of application. NewDay also found Mr E had outstanding debts of around £14,300 and was making monthly repayments of £323. Mr E's open credit was well handled with no recent missed payments.

After applying its lending criteria, NewDay calculated Mr E had an estimated disposable income of £3,302 a month. In my view, the disposable income figure NewDay reached was sufficient to sustainably afford the credit card with a limit of £900 it approved. Overall, I'm satisfied NewDay carried out reasonable and proportionate checks when considering Mr E's Fluid application. And I'm satisfied the decision to approve Mr E's Fluid application was reasonable based on the information Newday obtained. I haven't been persuaded that NewDay lent irresponsibly.

Like the investigator, I haven't been persuaded the checks NewDay completed before increasing Mr E's Fluid credit limit to £1,650 in April 2019 and £3,150 in June 2023 went far enough. The data NewDay has provided doesn't show an affordability assessment was completed before the April 2019 increase to £1,650. And by June 2023, Mr E's unsecured debt level had increased to around £45,500. In addition, no housing costs were noted in the affordability checks NewDay has supplied. I can see we've asked Mr E for bank statements but he's declined to provide them. As a result, I've not been able to get a clearer picture of Mr E's circumstances before the credit limit increases were approved. In the circumstances, I've relied on the available information.

When Mr E applied for his Aqua credit card with NewDay he completed a similar application to the Fluid account. Mr E's income was recorded as £2,273. Regular outgoings of £686 were applied to the application. A new credit search found Mr E's other credit came to around £13,000 with monthly repayments of £399. And when NewDay applied its lending criteria it says Mr E had an estimated disposable income of £1,187. I note Mr E's credit file information from NewDay shows no new adverse credit, defaults or recent missed payments were recorded on Mr E's credit file. Whilst I can see Mr E had other debts at the time, they were all being maintained. And I'm satisfied the estimated disposable income figure NewDay

reached was sufficient to sustainably afford repayments to a new credit card with a £1,200 limit. As I'm satisfied NewDay carried out proportionate checks before approving Mr E's Aqua application and I think the decision to proceed was reasonable based on the information it obtained, I'm unable to agree it lent irresponsibly.

I think NewDay should have completed a more thorough review of Mr E's circumstances before increasing his Aqua credit limit to £2,050 in April 2023. Looking at the affordability data NewDay used, there was no allowance made for Mr E's housing costs. And I can see Mr E's other unsecured debts had increased substantially by this point. Again, I can see the investigator requested Mr E's banks statements for the months before the credit limit increased but they weren't supplied.

I've looked at the data NewDay had available when increasing both the Fluid and Aqua credit limit increases. Whilst I think the level of checks completed weren't proportionate, the information NewDay obtained indicated the borrowing was affordable for Mr E. On each occasion, NewDay calculated Mr E had a healthy disposable income and looked at his credit file, finding he was managing his existing commitments well. In the absence of further evidence from Mr E showing his circumstances at the time, I'm unable to reach the conclusion that NewDay lent irresponsibly when it increased the Fluid and Aqua credit limits.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 E or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I'm very sorry to disappoint Mr E but as I haven't been persuaded Newday lent irresponsibly I'm unable to uphold his complaint.

My final decision

My decision is that I don't uphold Mr E's complaint.

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

Marco Manente
Ombudsman