

The complaint

Mr M complains about NewDay Ltd, trading as Aqua, lending to him irresponsibly.

What happened

In September 2021, Mr M applied for an Aqua credit card. NewDay approved this with a credit limit of £600.

In 2024, Mr M complained to NewDay as he considers their lending decision to have been irresponsible. He thinks NewDay didn't undertake *'proper and thorough checks'* on his credit card application.

Mr M's reasoning is that:

- He was *'consistently maxed out on a £1000 overdraft'*.
- He had *'excessive gambling transactions'*.
- The payments on his bank account were frequently defaulting.
- He had *'multiple credit facilities such as 2 car finance accounts, catalogues and credit cards'*.

Mr M also says that when it was clear he was struggling, NewDay *'made no attempt to intervene or help aside from a couple of payment holidays which in itself is an acknowledgement that I was struggling'*.

Mr M requested a refund of all interest and charge, 8% statutory interest to be awarded on any overpayments and for any adverse default markers to be removed from his credit file in order to get his *'finances back in order and some stability in my life'*.

But NewDay said they had lent to him responsibly. In their complaint response they said:

'We want to make sure that any borrowing is affordable, therefore, as a responsible lender we've suspended your NewDay account and you won't be able to use them. While there is a balance outstanding, you'll need to continue to make payments by the due date each month in line with your statements.'

Mr M escalated his complaint to our service; however, our investigator couldn't see that NewDay had done anything wrong.

As Mr M remains dissatisfied his complaint has been referred to me to look at.

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.

Having done so, I'm not upholding this complaint, and I'll explain why.

I should first say:

- I'm very sorry to hear that Mr M has been experiencing financial difficulties.
- I've carefully considered all the points Mr M has made and I've focused on what I think are the important points to reach a final decision.

We've set out our general approach to complaints about short-term lending, including all of the relevant rules, guidance and good industry practice, on our website.

NewDay needed to take reasonable steps to ensure it didn't lend irresponsibly. Rather than approach the credit card application from the perspective of the likelihood of getting its money back, they had a responsibility to ensure that the repayments wouldn't cause Mr M undue difficulty or significant adverse consequences.

That meant Mr M should've been able to meet repayments out of his normal income without having to borrow to meet the repayments, without failing to make any other payments he had a contractual or statutory obligation to make and without the repayments having an adverse impact on his financial situation.

NewDay checks also had to be "proportionate" to the specific circumstances of the credit card application. In general, what constitutes a proportionate check will depend upon a number of things including – but not limited to – the particular circumstances of the consumer (e.g. financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- The lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)
- The higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)
- The longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

I've kept all of this in mind when looking at everything NewDay considered, to see if their checks were proportionate and, if they were, whether they made a fair decision when approving Mr M's credit card application.

I found that NewDay made enquiries with a credit reference agency, and, from my analysis of the credit report, I couldn't see any concerning information such as defaults, CCJ's and multiple cash advances.

Although Mr M had, at that time, a number of credit cards and loans the figures NewDay used when calculating his income, expenditure and disposable income were consistent with the credit report and the information Mr M supplied.

In addition, Mr M was consistently making the payments on his credit cards and loans and he wasn't using the full limit on all of his credit cards.

So, I'm satisfied NewDay did consider this and the results of their income and expenditure checks showed a reasonable disposable income at the time.

I considered whether NewDay should've requested Mr M's bank statements before making their lending decision, as these would've given them some additional information on gambling transactions and overdraft use.

I don't think such a check would've been proportionate considering:

- The information NewDay had available, which included the £1000 overdraft facility.

- The disposable income and debt-to-income ratio they calculated was £983.69 and 34.79% respectively.
- The low to moderate £600 of credit they were making available.
- Mr M was managing his lines of credit and there were no defaults or signs he was struggling to make payments to his creditors.

Also, bank statements can be difficult to evaluate and, from looking at Mr M's statements, I think NewDay would've found it difficult to determine any issues. This is because of the funds (credits and debits) and velocity of transactions passing through his account. So, unless Mr M mentioned any issues (which I can't see that he did), I don't think there were either obvious signs of a gambling issue or clear reasons to decline this moderate amount of credit. And Mr M explains that some of his betting transactions weren't strictly gambling.

I understand Mr M thinking NewDay could've probed his transactions but as NewDay could see his overdraft limit, Mr M clearly wanted the credit and didn't mention any issues, it is difficult to know if this would've resulted in his application being rejected. However, for the reasons mentioned above, I don't think it would've been proportionate or reasonable for them to have requested statements.

Considering the above and all the information on file, I think the checks NewDay carried out were proportionate to the amount of credit Mr M applied for.

Finally, I looked at when NewDay were made aware of his financial difficulties and whether they gave Mr M support. I couldn't see that this was until well after Mr M took out the credit card and NewDay have provided evidence of the three month payment holiday they gave him in 2023. Also, their letters signposted him to debt support networks. So, I can't see that they didn't try to help him when he told them he was struggling.

I'm very sorry to hear of the difficulties Mr M is experiencing and appreciate he will be disappointed. However, as I don't think their lending decisions were unfair or unreasonable, I'm not upholding this complaint against NewDay.

My final decision

My final decision is that I'm not upholding this complaint against NewDay Ltd trading as Aqua.

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

Paul Douglas
Ombudsman