

Complaint

Miss G has complained about a credit card NewDay Ltd (trading as “Aqua”) provided to her. She says the credit card was irresponsibly provided as it was unaffordable for her.

Background

Aqua provided Miss G with a credit card with a limit of £450 in October 2022. The limit on the credit card was never increased.

One of our investigators reviewed what Miss G and Aqua had told us. And she thought Aqua hadn’t done anything wrong or treated Miss G unfairly in relation to providing the credit card. So she didn’t recommend that Miss G’s complaint be upheld.

Miss G disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss G’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss G’s complaint. I’ll explain why in a little more detail.

Aqua needed to make sure it didn’t lend irresponsibly. In practice, what this means is Aqua needed to carry out proportionate checks to be able to understand whether Miss G could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Aqua says it initially agreed to Miss G’s application after it obtained information on her income as well as her monthly living costs and also carried out a credit search on her. And the information obtained indicated that Miss G would be able to make the low monthly repayments due for this credit card. On the other hand, Miss G says that she shouldn’t have been lent to as she was in a poor financial position.

I’ve considered what the parties have said.

What's important to note is that Miss G was provided with a revolving credit facility rather than a loan. This means that Aqua was required to understand whether a credit limit of £450 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £450 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Aqua obtained from Miss G about her income and what was on the credit search carried out. Aqua says that Miss G declared an annual salary of £26,000.00. Aqua's credit check did indicate that Miss G had had previous difficulties with credit in the form of defaulted accounts. However, these appeared to be historic as the last of them appeared from around four years prior.

In these circumstances, I don't think that Miss G's previous difficulties mean that she shouldn't have been lent to in the way that she suggests. Ultimately, it was up to Aqua to decide whether it wished to accept the credit risk of taking on Miss G as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. I'm satisfied that Aqua did mitigate this risk by providing Miss G with a low credit limit to begin with.

I accept that Miss G appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Aqua obtained. I know that Miss G has said that he struggled to make his repayments.

Miss G has referred to what she considers to be indicators of the fact that she was struggling to manage credit. However, Miss G is relying on a copy of her full credit report when making these arguments. Lenders do not obtain a copy of a customer's full credit report when determining whether to lend to a customer.

Typically, a lender will obtain a snapshot of what the customer owed, whether there was any significant adverse information – such as defaulted accounts or county court judgments - recorded against them and whether the customer is up to date with their payments on any active accounts at the time of the application. Aqua did that here. Equally, I don't consider it fair and reasonable to expect it to have included information it couldn't have known about when making its lending decision.

So while I'm sorry to hear about what Miss G has told us, I can only determine this complaint by reference to what Aqua could reasonably be expected to know. With this in mind, Aqua's checks didn't appear to indicate that Miss G might have been struggling and most importantly they did not suggest that £450 was too large an amount for her to repay within a reasonable period of time. In these circumstances, I'm not persuaded that the sort of checks Miss G now insists should have been carried out, needed to be carried out at the time.

For the sake of completeness, I would also add that it's also not even immediately apparent to me that even more checks, which at the absolute maximum would have consisted of finding out more about Miss G's living expenses rather than relying on estimates of this, would, in any event, have led to Aqua making a different decision.

I say this because I've not seen anything which clearly demonstrates that Miss G's monthly committed living costs were substantially higher than the combination of declared information and statistical data which Aqua used. Equally, there is nothing else that has been provided to me which shows me that had Aqua obtained these actual living costs, it would more likely than not have learned that the monthly payments that could be due on this card were more likely than not unaffordable for Miss G.

In reaching my conclusions, I've also considered whether the lending relationship between Aqua and Miss G might have been unfair to Miss G under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Aqua irresponsibly lent to Miss G or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I'm satisfied that Aqua carried out proportionate checks before providing this credit card to Miss G. So I don't think that Aqua treated Miss G unfairly or unreasonably and I'm not upholding this complaint. I appreciate this will be very disappointing for Miss G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 25 July 2025.

Jeshen Narayanan
Ombudsman