

The complaint

Miss H complains NewDay Ltd trading as Aqua and Marbles (NewDay) acted irresponsibly when it provided her with two credit card accounts.

What happened

Miss H says NewDay approved two credit card accounts for her - card A in November 2019 with an initial credit limit of £450 and increased this to £1,450 in November 2021, and card M in January 2022 with a credit limit of £1,200.

Miss H says when card A was approved, she already had debt with other providers which she was still paying back and was reliant on this card paying only the minimum payments, when NewDay increased the credit limit to £1,450. Miss H says NewDay then approved card M in January 2022, at a time when she was struggling financially and entered a debt management plan in August 2022.

Miss H says this borrowing contributed to her falling into a spiral of debt and caused her stress and worry. Miss H wants NewDay to refund any interest charges to the credit card accounts.

NewDay says it's a responsible lender and offers credit to those with perhaps a less than perfect credit record. NewDay says it offers small initial limits with the intention to increase these limits over time, subject to good account management, to assist customers in building their credit standing.

NewDay says before approving both credit card accounts, it carried out a detailed assessment using information contained within Miss H's applications, information from credit reference agencies (CRA's), its own affordability assessment and the previous account management by Miss H. NewDay says based on this data and the fact there were no defaults, CCJ's or active payday loans, it was satisfied the credit card borrowing it offered on both card A and card M was affordable.

Miss H wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint.

The investigator says there are no set list of checks lenders like NewDay must undertake but these should be borrower focused and consider the amount, term, type and cost of the borrowing. The investigator says before NewDay approved both card A and card M it had carried out financial checks using data from CRA's, details contained in Miss H's applications, and its own internal affordability assessment. So, with that in mind the investigator felt NewDay had carried out reasonable and proportionate checks.

The investigator went on to say that when considering if NewDay had lent fairly, she was satisfied Miss H's disposable income was sufficient to meet the level of credit approved on both card A, the limit increase and the credit limit for card M. The investigator pointed out Miss H's net disposable monthly income was £422 and £341 respectively at those times.

Additionally, the investigator pointed out at the time the credit limits were approved on both cards, there was no evidence of defaults, CCJ's or reportable arrangements and the three months leading up to card A's credit limit increase, the account was well managed as were her other external borrowings.

Miss H didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Miss H is experiencing financial problems and that must be a source of worry to her. When looking at this complaint I will consider if NewDay acted irresponsibly when it provided the two credit card accounts for her.

Miss H says NewDay's lending on both card A and card M was irresponsible. Miss H says from the financial information that would have been at NewDay's disposal at the time the credit was approved and increased, would have shown she was already over indebted and further borrowing was unaffordable. While I understand the points Miss H makes here, I'm not fully persuaded by her argument and I will go on to explain why.

The first thing to say here is there are no set rules of what checks lenders like NewDay must undertake when looking to provide credit facilities to its customers. But these should be borrower focused, proportionate and consider the sustainability and affordability of such a commitment. It's also worth mentioning it's not for me to tell lenders like NewDay from what source that information must come from.

It's also important to say here NewDay are what is known as a "low and grow" lender and provide credit to consumers with perhaps a less than perfect credit background. This means NewDay provide an initial credit facility and look to increase this over time, having seen the account managed within the terms of the agreement and therefore helps consumers like Miss H to build her credit standing.

From the information I have seen, before credit card A was agreed and the increased limit some two years later, NewDay carried out credit searches, income and expenditure assessments and referenced information contained in Miss H's application, in which she declared she was employed earning circa £16,000 per annum. Based on what I have seen, there was no indication of external financial pressure nor any indication on her credit file of defaults, CCJ's or any reportable payment arrangements. Overall, before the credit limit was increased in November 2021 Miss H had managed her account reasonably well and certainly the three months before the limit was increased, much in line with NewDay's low and grow model.

NewDay provided details of its affordability modelling based on internal and external data at the time of the initial modest credit limit of £450, and at the time of the limit increase to £1,450 around two years later. This affordability assessment showed Miss H had a comfortable level of net disposable income of £420 and £480 respectively to meet the level of credit approved. I can also see that while Miss H had external borrowing, this was well managed with no signs of obvious financial pressure.

As far as card M is concerned approved in January 2022, I can see NewDay carried out the same level of due diligence it had on the previous credit card A which again showed net disposable income of £340, and while this was lower than previously it was still more than sufficient to cover the extra borrowing Miss H had applied for.

Again at that time, from what I have seen there was no obvious indications of any financial pressure from the information sources NewDay obtained from the CRA's and Miss H's indebtedness was on the face of things being managed well. Here before NewDay approved both credit card accounts, it used industry standard data provided by known CRA's and other external sources to complete its affordability modelling along with Miss H's declared income on her applications.

So, I am satisfied based on the information NewDay had relied on, there was no need for it to request any further financial information from Miss H before approving the two credit card accounts when it did. Afterall NewDay had held a credit relationship with her for two years before the second card M was approved, and the initial facilities it had approved on card A were relatively modest and in line with the low and grow model it operates.

So on balance, I'm satisfied NewDay's financial checks were reasonable and proportionate before it approved both credit card accounts here and the level of affordability modelling it undertook was acceptable and showed the lending decision it took was fair.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss H has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss H will be disappointed with my decision, I won't be asking anymore of NewDay.

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 Miss H to accept or reject my decision before 27 August 2025.

Barry White
Ombudsman