

The complaint

Miss B complains NewDay trading as Aqua (NewDay) failed to undertake sufficient financial checks before approving two credit card accounts for her in 2019 and 2021.

What happened

Miss B says NewDay approved a credit card account (card1) for her in July 2019 with a credit limit of £1,200 and then subsequently increased the credit limit to £1,950 in February 2020. Miss B says NewDay also approved a second credit card account (card2) in September 2021 with a credit limit of £900.

Miss B says leading up to the approval of card 1 and the subsequent limit increase on that account, there was evidence of cash advances, several minimum payments, late payments and short term loans. Miss B says when card2 was approved similar activity had taken place, with levels of external borrowing close to £10,000.

Miss B says NewDay failed to carry out proportionate financial checks before the two credit card accounts were approved and wants NewDay to refund all interest and charges on the two accounts, along with 8% simple interest and to remove any adverse entries recorded on her credit file, relating to those accounts.

NewDay says it provides credit to customers with perhaps a less than perfect credit record and typically offers smaller initial credit facilities and looks to increase these overtime, subject to the management of the account.

NewDay says before it approved the two credit card accounts it had relied upon both internal information declared by Miss B in her credit applications, its own affordability assessments and data from relevant credit reference agencies (CRA's). NewDay says the information showed there were no missed payments, active payday loans nor any reportable repayment arrangements before card1 and card2 was approved, nor was there any indication to show any financial difficulties or defaults recorded then or at that time or when it increased the credit limit to £1,950 in January 2020.

NewDay says it acted responsibly before the credit facilities were approved.

Miss B 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 made the point there are no set list of checks lenders must undertake before approving credit, but these must be borrower focused.

The investigator says when Card1 was approved in July 2019 with a £1,200 credit limit and at the time the limit increased to £1,950, there were no CCJ's, defaults recorded, payday loans or negative markers on her credit file, with external debt of around £9,000. That said given the relatively low net disposable income available to Miss B and high debt to income ratio, the investigator felt NewDay's checks weren't sufficient and it should have made

further enquiries to check the borrowing was sustainable.

The investigator felt again further checks were appropriate here when card2 was approved in September 2021, even though Miss B's level external debt wasn't showing it was causing her any financial stress.

The investigator felt the best way to see if the borrowing was affordable was to obtain sight of bank statements leading up to the approval of card1 and the subsequent increase in the limit. The investigator concluded that while there was some overdraft use and modest cash advances, there was nothing to indicate any financial pressure or that information should have prevented NewDay providing the lending.

The investigator took the same approach when looking at the approval of card2 and again when looking at Miss B's bank statements, the investigator pointed out her expenses looked less than her income. The investigator says there were gambling transactions prevalent but there was no sign of any financial pressure and the bank account was maintained in credit.

Taking everything into account the investigator was unable to say the borrowing NewDay approved was unaffordable.

Miss B 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 hear that Miss B 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 approved a credit card account for Miss B in July 2019 and a subsequent increase limit and then approved a second credit card account in September 2021.

Miss B feels NewDay failed to take proportionate financial checks before it approved the credit card facilities for her, as referred to above. Miss B feels further financial checks would have revealed the borrowing was unaffordable and unsustainable.

I understand the points Miss B makes here but I'm not fully persuaded by her argument and I will go on to explain why.

The first thing to say, as mentioned by the investigator, is there are no set rules what checks lenders like NewDay must undertake, or from what sources it uses. But those financial checks should be borrower focused, meaning they are proportionate and take into account the sustainability and affordability of such a commitment, bearing in mind the type and amount of lending offered.

It's important to mention that NewDay are what is known as a "low and grow lender" and provide credit to consumers with perhaps a less than perfect credit score. This means NewDay provides initial modest credit facilities and looks to increase this over time, having seen the account managed within the terms of the agreement and therefore helps consumers like Miss B to build their credit standing over time.

Here, I can see NewDay relied on the information provided by Miss B in her credit card applications and carried out external credit checks using CRA's and internal credit affordability modelling, before approving the two credit card accounts.

I wouldn't expect here for NewDay to necessarily undertake the same level of intensive due diligence one might expect to see for say a larger committed long term loan. So, I'm satisfied from the affordability modelling it carried out, based on internal and external data sources, that was sufficient for it to conclude the new lending was affordable when it issued card1 in July 2019 and the subsequent increase in the limit to £1,950 in February 2020. Afterall, from the information I have seen there were no CCJ's, defaults, payday loans or obvious signs of pressure on external borrowing to indicate Miss B was struggling financially in anyway.

From what I can see the facilities approved by NewDay were much in line with its low and grow model, referred to earlier.

The investigator felt differently and believed when both credit card accounts were approved in July 2019 and September 2021 with a credit limits of £1,200 and £900 respectively, given the high debt to income ratio evident, further financial checks should have been carried out – namely the sight of bank statements leading up to the limits approved.

I do understand that point, but it's worth adding that when card2 was issued NewDay had held a financial relationship with Miss B for over 24 months, and there was nothing showing in the checks it conducted to suggest she was struggling financially. Additionally, I wouldn't say making minimum monthly payments always suggests further borrowing wouldn't be appropriate or affordable – consumers will commonly pay the minimum monthly payment amount, to maximise the benefit of having the credit card.

Having said that, the investigator obtained bank account statements from Miss B and subsequently sight of her savings account statements, leading up to the approval of the two credit card accounts. Like the investigator I take the view that even if NewDay had asked for sight of these statements it wouldn't have concluded the credit card borrowing it approved was unsustainable. From what I have seen these statements showed overall, well maintained accounts and while gambling transactions are evident, these are an acceptable type of spending and there was nothing to show this caused any financial pressure on Miss B's finances.

In fact, Miss B provided copies of her savings account statements leading up to the credit limits approved by NewDay, which showed some healthy credit balances from time to time suggesting she had the capacity to meet her ongoing financial commitments, before the credit card accounts were approved.

So, on balance I'm satisfied NewDay acted responsibly when it approved the two credit card accounts to Miss B and the borrowing it approved looked affordable at the time, from the information I have seen.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss B 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 B 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 B to accept or reject my decision before 13 August 2025.

Barry White
Ombudsman