DRN-5509314

The complaint

Mr K complains NewDay Ltd trading as NewPay ("NewDay") didn't carry out proportionate checks when lending to him, and the lending was unaffordable.

Mr K is represented by a professional third party, but for ease of reference I'll mostly refer to Mr K throughout.

What happened

In August 2023 Mr K applied for an account with NewDay. The application was accepted and they provided him with a credit limit of £1,500. The limit was never increased.

Mr K complained to NewDay in October 2024. He said he believes NewDay failed to undertake a reasonable assessment of whether the credit was affordable for him. He said at the time, he had a default and was only making minimum repayments.

NewDay responded in January 2025 rejecting the complaint. They said they're satisfied Mr K was provided with the credit responsibly as their assessment showed Mr K had sufficient disposable income to afford the repayments.

In January 2025, the complaint was referred to our service. An Investigator here looked into things. They felt NewDay had completed proportionate checks, and those checks showed Mr K could afford the credit, and therefore a fair lending decision was made.

Mr K disagreed – he felt NewDay had overestimated his disposable income and the defaults should've been more of a warning to NewDay of financial issues in the past. He felt that NewDay relying on external data didn't go far enough to assess whether the credit was affordable.

Because an agreement couldn't be reached – the complaint has been passed to me to decide.

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.

The rules and regulations in place at the time NewDay provided Mr K with the credit required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means NewDay had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr K. In other words, it wasn't enough for NewDay to consider the likelihood of them getting the funds back or whether Mr K's circumstances met their lending criteria – they had to consider if Mr K could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether NewDay did what was needed before lending to Mr K.

When Mr K applied for credit in August 2023, NewDay gathered information regarding his financial circumstances. It recorded that Mr K was earning a salary of around £28,500 per year and had outstanding debt costing him around £433 per month. Mr K had a default at the time of application, most recently recorded 57 months prior. This was collated using an external credit check and ONS data.

I believe the checks NewDay carried out were proportionate, and considering the amount being provided to Mr K, and the information they gathered in these checks, I don't think they acted unfairly when providing Mr K with the credit. I say this because it was for a relatively modest amount of £1,500, and although there were some signs of financial difficulty in the past, everything in recent months had been much improved. It wouldn't be a significant cost for Mr K to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

I note Mr K's comments regarding NewDay requiring statements or payslips prior to approving the application. But, when considering lending complaints, there are no specific checks that lenders must complete before approving an application for credit. The rules set out by the regulator merely state that checks should take place and that they should be proportionate to the type and amount of credit being provided. But there is no obligation on lenders to ask to see bank statements or payslips, so NewDay didn't make an error when they didn't automatically ask to see Mr K's statements/payslips before approving the application.

NewDay have explained that when Mr K applied for credit, they reviewed his credit file. Having done so they were satisfied Mr K had enough disposable income to meet the monthly repayments. So, they didn't ask for additional information before approving his application as there was nothing in the initial checks they completed to indicate that was necessary. And I'm in agreement that this was proportionate to the credit being granted.

In reaching my conclusions, I've also considered whether the lending relationship between NewDay and Mr K might have been unfair to Mr K under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that NewDay did not lend irresponsibly when providing Mr K with the credit. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr K, I won't be upholding his complaint against NewDay for the reasons explained above.

My final decision

It's my final decision that NewDay Ltd trading as NewPay didn't act unfairly when lending to Mr K.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 August 2025.

Meg Raymond
Ombudsman