

The complaint

Miss L through her representative, complains that NewDay Limited, trading as Aqua ("NewDay"), lent to her irresponsibly when it approved a credit card for her in July 2020 and subsequently increased the credit limit twice.

What happened

Miss L took a card from NewDay in July 2020 with a £300 credit limit.

Date	Event	Original limit	New limit
July 2020	Card approval	Credit limit £300	-
Offer December 2020 In place February 2021	Credit limit increase 1	£300	£1,300
Offer April 2021 In place 17 May 2021	Credit limit increase 2	£1,300	£2,300

After Miss L had complained in May 2024, NewDay responded giving reasons why it did not uphold her complaint. It was referred to the Financial Ombudsman where one of our investigators thought the card should not have been approved. NewDay disagreed and the unresolved complaint was passed to me to decide.

After I had reviewed it, I asked both parties for additional information. I've received some information from NewDay. I have received nothing from Miss L or Miss L's representative. It has told us it had been in touch with Miss L about my enquiries, but as my first requests to Miss L were on 6 May 2025, and as I've made it clear that on 9 June 2025 I'd be proceeding to make my decision, then I considered that fair time and notification had been given.

On 10 June 2025, I issued my provisional decision in which I gave reasons why I planned not to uphold Miss L's complaint. That provisional decision had a reply date of 24 June 2025 which I extended to 27 June 2025. Miss L's representative has acknowledged it but no response has been received. This complaint commenced in April 2024 and resolution is required. In the interests of resolution for both parties I have chosen to issue my final decision today. The provisional decision is duplicated here for ease of reading.

What I provisionally decided on 10 June 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Miss L was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Miss L, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time it approved the new card for Miss L and when it applied the credit limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown. Also, I'll consider whether NewDay acted unfairly towards Miss L in some other way.

The initial card approval in July 2020

From information supplied by NewDay, it knew that Miss L earned £10,000 a year which translated into £750 a month after tax. It applied a figure of £458 as cost of living, it knew from a credit search that her existing credit commitments were costing her £180 each month, and that she had a public record 19 months before the application date.

I have asked both parties about that public record. Miss L has not responded and NewDay has said that due to the passage of time it has no details as to what that public record was. It could have been anything from a County Court Judgment to bankruptcy and so without any details I can't say much about it.

Miss L's income was low but it may have been from part time work. Again, I have asked Miss L for more information surrounding her income and received nothing. Miss L's low income may have influenced NewDay to approve the card but only select a low card credit limit of £300. But I don't consider that what I have as evidence indicates there was any reason to refuse the initial card application. And by setting a low credit limit then the approval was a fair and reasonable one after carrying out proportionate checks.

One of the reasons I say this is because the minimum repayment on a £300 limit can be as low as £9 a month. So, although our investigator did calculate that Miss L may not have had much disposable income, I don't consider it was a reason to refuse the card application outright. I plan not to uphold the complaint about the initial card approval.

Credit limit increases – general points

NewDay says Miss L would have been provided with the credit limit increases based on how her credit card was being managed. It had access to credit information, which showed her external debt, and some information on her income and expenditure.

In its view, the information obtained indicated that Miss L's existing debts, as well as her NewDay credit card, were being reasonably managed and as such it wasn't unreasonable to have increased the credit limit on the card on the occasions that it did. On the other hand, Miss L says that the limit increases shouldn't have been provided. I've considered what the parties have said.

What's important to note is that Miss L was provided with limit increases to a revolving credit facility rather than a loan. And this means that NewDay was required to understand whether credit limits of £1,300 and £2,300 could be repaid within a reasonable period, rather than all in one go.

Credit limits of £1,300 and £2,300 didn't require huge monthly payments to clear the full amount owed within a reasonable period. I say this particularly as a reasonable period, in these circumstances, is likely to equate to the payments for a loan term for equivalent loan amounts. And I have used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions.

Extracts from these are set out here: CONC 5.2A.28 G: - A Firm must '*have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. ...*'

CONC 6.7.33 G suggests that such a term would usually be between three and four years. I have kept this guidance in mind when considering Miss L's complaint.

Credit limit increase one

The information I have from NewDay about this credit limit increase seems to have been an offer from NewDay to Miss L by letter on 16 December 2020 informing her it would be increased from £300 to £1,300 which means it was going to be a £1,000 increase. The letter I have seen tells Miss L that if she were content with that she need not do anything and the increase would take effect on 25 January 2021.

Then account notes I have seen indicate that Miss L was in touch with NewDay on 25 January 2021. And NewDay has explained to me in a recent email that Miss L asked for a £1,000 increase on 25 January 2021 which was declined. But NewDay has also said to me that the credit limit increase to £1,300 due to occur on the same day – 25 January 2021 – was delayed to February 2021 due to a technical issue which was resolved.

So – I've also seen the account notes and I am not satisfied that Miss L asked for a further £1,000 increase on 25 January 2021: it was more likely that Miss L was concerned that her promised £1,000 increase had not been implemented. And I say this because NewDay has told me that there was a technical issue delaying the increase being put in place. And also, because the account notes show me:

- On 25 January 2021 at 11:37am Miss L went on-line using her phone
- On 25 January 2021 at 11:39 am she did an on-line credit limit increase request for £1,000 which was declined; and then
- On 25 January 2021 at 3:01 pm the note says: *'User sets up UCLI preference to opt in via e servicing'*
- Then on 8 February 2021 the note says: *'User accepts auto CLI offer'*

My interpretation is that Miss L was chasing her original written offer from NewDay for the £1,000 credit limit increase because the promised £1,000 increase had not been implemented. And as this rise was in the system then what may have looked like her request for a 'further' £1,000 increase was declined. I have asked Miss L to explain what she recalls about this credit limit increase and received nothing from her.

This is a provisional decision and so if either NewDay consider my interpretation to be incorrect and/or Miss L has further information to tell us about this credit limit increase, then they both have time to tell me. I am proceeding to make my assessment about the complaint on what I have.

So – turning to the £1,000 increase, when NewDay assessed Miss L for the limit increases, it would have reviewed how she had been running the credit card account. I have seen those records.

Apart from one late fee payment then the account had been run satisfactorily. And I don't consider NewDay likely to have placed much concern on one late fee. My view is that it is not unusual for most customers during credit card account management to miss a payment occasionally and that does not automatically point to difficulties in being able to repay the card.

Miss L's income had increased to £1,925 a month by the time NewDay was assessing her for a credit limit increase. Miss L's total outstanding credit balance was around £2,755 which was not a high figure.

Miss L's record from the credit search NewDay carried out showed no new adverse data – meaning that the original information NewDay was aware of when it approved the card for her had not been added to with – for instance - any further markers showing delinquency or payment arrears.

I consider NewDay carried out proportionate checks and made a fair lending decision to increase the limit to £1,300 in December 2020 which was implemented later than planned - in

February 2021. I do not plan to uphold the complaint in relation to the first credit limit increase.

Credit limit increase two

This increase followed a review of the account management and Miss L's credit file. NewDay has explained:

'... the account was being managed in line with the behaviours we would expect for customers in our target market. As reflected in evidence 2, we have a robust creditworthiness and affordability assessment aligned to the evolving expectations of the regulators, which fully assesses the customer's income and expenditure (with appropriate conservatism) at the time of lending and looks for any adverse credit behaviours that could indicate financial difficulties (whilst noting that these would not be immediate exclusions to lending

Miss L's income had remained the same at £1,925 a month when NewDay was assessing her for this credit limit increase. Miss L's total outstanding credit balance had increased to around £5,700 which still was not a high figure.

Miss L's record from the credit search NewDay carried out showed no new adverse data – meaning that the original information NewDay was aware of when it approved the card for her had not been added to with – for instance - any further markers showing delinquency or payment arrears.

There was also no indication of any deterioration in the way that she had managed the NewDay card or any of her external debt. I consider NewDay carried out proportionate checks and made a fair lending decision to increase the limit to £2,300. I plan not to uphold the complaint about the second credit limit increase.

This is the end of the duplicated provisional 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.

Neither party has responded to my provisional decision although, as I explained earlier, Miss L's representative has acknowledged it. Having received no further submissions or evidence from either party I see no reason to alter my findings. For the reasons given before and duplicated in this decision, I do not uphold the complaint.

I've also considered whether NewDay acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss L or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is I do not uphold the complaint.

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

Rachael Williams
Ombudsman