

The complaint

Mr C complains NewDay Ltd trading as Aqua (NewDay) acted irresponsibly when it provided him with two credit card accounts in April 2019 and February 2022.

What happened

Mr C says he was approved for a credit card with a £300 limit by NewDay in April 2019 at a time when he was heavily in debt. Mr C says the credit card debt was sold to a debt collection agency, which he commenced paying back in May 2021. Mr C says he then applied and was approved for a new credit card by NewDay in February 2022 with a credit limit of £450.

Mr C says when the second credit card limit was approved he was still paying back his old credit card debt and was on a low income as a single parent and NewDay should have known he was struggling financially.

Mr C feels NewDay acted irresponsibly when it provided both of the credit card accounts and wants it to refund all interest and charges along with interest at 8% and write off both the debts and remove any adverse entries from his credit file, and for it to apologise for the way it has handled his complaint.

NewDay says it typically offers smaller credit limits to consumers with a less than perfect credit record and looks to increase that limit over time. NewDay says it carries out a comprehensive affordability assessment prior to approving any credit, using a wide range of sources. NewDay says when card1 was approved with a £300 limit in April 2019, its credit assessment showed there were no missed payments, active payday loans and no reportable arrangements were in place and the credit card facility was deemed affordable.

NewDay says when card2 with a £450 limit was approved in February 2022, this also showed there were no CCJ's, IVA's or bankruptcies and no reportable payment arrangements in place. NewDay says from its affordability assessment the new credit card facility looked affordable. NewDay says the accounts were provided responsibly and its affordability assessments were appropriate and proportionate.

Mr C 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 isn't a set list of checks lenders like NewDay must undertake before approving credit, but these need to be borrower focused.

The investigator felt that when card1 was approved for a £300 credit limit in April 2019, NewDay carried out proportionate checks, as it had used information from Mr C's application and completed an affordability assessment using data from a credit reference agency (CRA). The investigator felt NewDay had made a fair decision to lend as previous financial difficulties were over 45 months old and Mr C's income suggested the new borrowing was affordable. The investigator pointed out the account fell into arrears and was sold to a debt collection agency in November 2019.

The investigator says when card2 was approved for a £450 limit in February 2022 this was over two years since card1 had been sold to a debt collection agency. The investigator says NewDay referred to Mr C's completed application and undertook an affordability assessment using data from a CRA. The investigator says the information she had seen showed there were no accounts showing in arrears, no missed payments or payday loans recorded. The investigator says although a default was recorded, this was over 24 months old and therefore historic.

The investigator felt because the assessment showed Mr C had a relatively low level of net disposable income, NewDay should have taken steps to verify this. The investigator felt after reviewing Mr C's bank statements, these indicated his net disposable income could service the new debt here.

While the investigator understood Mr C's point about his previous credit card debt being sold, she didn't feel NewDay would necessarily check its own internal records each time it receives a request for a new credit card – rather it would rely on its affordable checks at that time. The investigator concluded that NewDay had acted fairly.

Mr C 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 of Mr C's financial struggles and the effect this has had and that must be a source of worry to him.

The first thing to say is I don't intend to repeat all that has been said earlier here but that's not to say I haven't considered everything - I have. It's just that I don't need to comment on each individual point in order to reach a decision on what's fair and reasonable here.

Also, Mr C was unhappy with the way in which NewDay dealt with his complaint, but it's not the role of this service to scrutinise NewDay's complaints process or to tell it how it should deal with complaints more widely. My role is to look at what's fair and reasonable in the individual circumstances of a complaint.

So, when looking at this complaint I will consider if NewDay acted irresponsibly when it approved two credit card accounts for Mr C in April 2019 and February 2022.

As mentioned by the investigator there are no set rules as to what checks a lender like NewDay must undertake before approving credit facilities, but I would expect these to be reasonable and proportionate, customer focused and taking into account the amount, term type and sustainability of the borrowing.

It's worth saying 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 it provides an initial modest credit facility and looks to increase the facility over time, having seen the account managed within the terms of the agreement and therefore helps consumers like Mr C to build their credit standing over time.

From the information I have seen, at the time the initial credit card was approved (card1) for a £300 credit limit, NewDay carried out credit searches, income and expenditure assessments and referenced information contained in Mr C's application, in which he declared he was employed earning circa £27,000 per annum. Based on what I have seen, there was no indication of external financial pressure nor any indication of defaults within the last three years or CCJ's. So, I'm satisfied before NewDay provided what was a modest initial credit card facility of £300, it carried out reasonable and proportionate checks.

I can also see NewDay undertook an affordability assessment which showed a reasonable disposable income, low external debt and a low debt to income ratio. So, on balance I'm satisfied the checks it undertook were proportionate and the new modest amount of credit appeared affordable.

What I would say here is I wouldn't expect NewDay to undertake the same depth of financial due diligence it might for say a larger long term loan facility, when providing modest levels of credit card facilities like these.

When looking at card2 approved for a £450 credit limit in February 2022, again I can see NewDay carried out its own affordability assessment using data from a recognised CRA and Mr C's credit application. From the information I have seen, Mr C's declared income had reduced but overall, the new credit card facility looked affordable. This was borne out to some extent on the production of Mr C's bank statements asked for by the investigator, but on receipt these didn't show any obvious signs of financial stress, and even if NewDay had asked to see them I can't say that would in itself have indicated to them not provide card2 with the modest £450 credit limit.

At that time while there was a default registered, this was just over two years old and that in itself wouldn't be a reason for NewDay not to offer a modest credit card facility like this. After all, NewDay is a second chance lender and provides credit to those consumers like Mr C with perhaps a less than perfect credit record, in line with its "low and grow" approach - as referred to earlier.

In fact, it appears in all probability that default was most likely card1, which was being repaid by Mr C via the collection agents and from the data NewDay relied upon, these payments appeared up to date as there were no reportable missed payments recorded from the data it had available.

So, it wouldn't be unreasonable for NewDay to believe Mr C had got his finances back on track at the time he applied for card2, and it would be unfair to suggest I must tell NewDay it should turn down any future modest credit applications from him, solely on the basis of a problem that occurred over two years prior.

So, taking everything into account, on balance I'm satisfied NewDay carried out reasonable and proportionate affordability checks before it approved the two credit card accounts referred to here.

I understand NewDay propose to sell card2 to a debt collection agency so I would urge Mr C to contact them to discuss this matter, so an affordable payment plan can be formalised.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with him 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 Mr C 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 Mr C to accept or reject my decision before 25 August 2025.

Barry White
Ombudsman