

## **The complaint**

Mr B complains NewDay Ltd trading as Aqua (NewDay) failed to carry out appropriate financial checks before it approved a credit card facility and several subsequent credit limit increases.

## **What happened**

Mr B says he was approved for a credit card account by NewDay in August 2015 and over a period between then and February 2022, NewDay increased his credit limit from £250 to £6,400. Mr B says he was already indebted elsewhere with late payments and defaults evident during the time of the credit limit increases. Mr B says if NewDay had carried out a more thorough check of his credit report and his finances generally, it would have been clear the borrowing it approved wasn't affordable.

Mr B wants NewDay to refund all the interest and charges applied to his account since its opening.

NewDay says its approach to lending means that it provides credit to customers with a less than perfect credit record starting with a low level of credit initially and allow increases over time. NewDay says it carries out a comprehensive affordability assessment when providing credit to its customers and for any subsequent credit limit increases.

NewDay says when the credit limit was initially approved and before any subsequent credit increases, it used a wide range of sources to establish affordability. NewDay says this included details in the initial credit application, data from credit reference agencies (CRA), how Mr B's account had been managed and its own internal affordability assessments.

NewDay says it feels it acted responsibly providing the level of credit to Mr B when it did.

Mr 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 detailed the dates when the credit card was originally approved and when the credit limits were increased between August 2015 and February 2022. The investigator pointed out there were no set rules what checks a lender like NewDay must carry out although these should consider the type of lending, the cost, the term and the amount.

The investigator says when the initial credit card facility was approved NewDay gathered a reasonable amount of evidence and she was satisfied the agreement was affordable given the modest amount of credit provided. The investigator says when the first two credit limit increases were approved of £900 in November 2015 and £1,950 in March 2016, given the low levels of external debt at those times she felt the checks were proportionate and NewDay's lending decision was fair.

As far as the third limit increase to £2,950 in January 2017 was concerned, the investigator felt further checks could have been completed at that time, but after Mr B provided bank statements to this service, the investigator felt NewDay wouldn't have seen anything to

conclude the lending was unaffordable.

The investigator pointed out when the limit was increased again in May 2021 to £3,650, following a decrease in September 2018 when Mr B was experiencing financial pressure, it had been over two years since any default had been registered and Mr B's external debt was less than £200. The investigator felt further financial checks were appropriate here, but on checking Mr B's bank statements the investigator concluded the limit offered was affordable based on the fact it seemed there was sufficient disposable income available to Mr B to meet his overall commitments and expenditure and she couldn't see the limit provided was unaffordable.

The investigator then looked at the limit increase in September 2021 to £5,400 and from the information available could see it had been around 31 months since any default and no new adverse information recorded. The investigator pointed out Mr B's external debt was around £2,000 and he had been making significant payments towards his credit card account with NewDay. So with that in mind, the investigator felt NewDay's assessment was proportionate and the levels of income shown on Mr B's bank statements indicated his income was higher than NewDay had used to assess affordability.

The investigator then looked at the final limit increase in February 2022 to £6,400 and says the level of external debt was around £7,000, with 36 months having passed since any default and there was no new adverse information in Mr B's credit file. The investigator pointed out from the information seen on Mr B's bank statements at that time, his income and expenses indicated the level of new borrowing approved was affordable.

The investigator pointed out that Mr B's financial situation deteriorated in May 2022 but this was after the final limit was granted and she didn't feel the lending decision was unfair.

The investigator concluded given Mr B's current financial position NewDay should treat him sympathetically if he was still experiencing difficulties in paying back his outstanding debt. That said the investigator couldn't see NewDay had treated Mr B unfairly.

Mr 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 Mr B is experiencing financial difficulties and that must be a source of worry to him.

When looking at this complaint I will consider if NewDay acted reasonably and responsibly when it provided Mr B with a credit card account and subsequently increased the credit limits on that account.

The first thing to say here is I don't intend to repeat everything that has already been said previously. Additionally, both Mr B and NewDay have provided this service with comprehensive details of the course of events and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything that's been said – I

have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

Mr B's complaint centres around NewDay's failure to complete sufficient financial checks before it provided the credit card facility to him in August 2015 and subsequently increased the credit limits on that account between then and February 2022. Mr B has referred to various Financial Conduct Authority (FCA) rules as a reminder of the responsibilities NewDay has as a lender, which I understand.

That said as the investigator has pointed out, there are no set rules of what checks lenders like NewDay must undertake when looking to provide credit to its customers, other than these are borrower focussed, proportionate and take into account the sustainability and affordability of such a commitment.

It's worth saying NewDay are what is known as a low and grow lender and provide credit to consumers with a less than perfect credit score. This means NewDay provide an initial modest credit facility and look to increase the facility over time having seen the account managed within the terms of the agreement and therefore helps consumers like Mr B to build their credit standing.

From the information I have seen, up until and including the limit increase in January 2017 to £2,950 over a period around 18 months, NewDay carried out various internal and external financial checks including the review of the initial credit application itself, CRA data, Mr B's account management and used its own affordability modelling.

It's fair to say during this time there was no evidence of any late payments, payday loans CCJ's or defaults with Mr B's credit card account balance fully fluctuating and while external debt during this period had increased, there was no obvious evidence of any external financial pressure.

So with that in mind, I'm satisfied NewDay had taken reasonable steps to assess the affordability of the increased borrowing provided and I'm satisfied the increased borrowing on those occasions were affordable given Mr B's net disposable income levels. I am satisfied the information NewDay had at those times was sufficient for it to assess the affordability without further financial information from Mr B here.

From the information I have seen, NewDay then decreased Mr B's credit limit to £2,650 in September 2018 which seems to follow evidence of late payments earlier in that year, albeit Mr B's credit card borrowing had fluctuated at this time and wasn't hardcore. It's not unusual for lenders from time to time to review its customers credit limits and appropriately adjust these as a responsible lender should.

Having looked at Mr B's credit file it suggests that from the time NewDay reduced his credit limit in September 2018 he was in all likelihood experiencing some financial pressure with a default registered with another lender and payment plan put in place in 2019, but this was settled in October 2020.

When looking at the next credit limit increase in May 2021 to £3,650, it had been over two years since the default had been registered and external debt had been reduced to a very modest level of around £200.

So, while Mr B had experienced some financial pressure in the past, which NewDay recognised in the previous limit reduction, by the time the new limit was approved of £3,650 it's fair to say Mr B was on a much improved financial footing and over 30 months had passed since the limit decrease. I can see NewDay before increasing the credit limit in line

with its low and grow approach, carried out internal and external checks as it had previously. It's worth pointing out at the time of this credit limit increase Mr B's account with NewDay had been operating and fluctuating well, with times the account having no outstanding debt.

Having said that although some time had passed since Mr B's default and his financial affairs had appeared to be on a better footing, it would have been advisable at that point for NewDay to have requested some other evidence of that, for example recent bank statements might have helped here.

But even so, having looked at the bank statements for the three month period leading up to the increase, I can see Mr B's bank account was well run with levels of salary/income higher than that modelled by NewDay and no signs of any financial pressure. It's fair to say here that even if NewDay had asked for those bank statements as a source of verification, I'm satisfied in all likelihood it would have concluded Mr B's financial situation was stable and the increased borrowing was affordable given the other information it had relied on.

Mr B's credit limit was increased to £5,400 in September 2021 and from the information I have seen his NewDay credit card facility had operated within its previous limit and his external borrowing had increased albeit to around £2,000. But there were no obvious signs of any financial pressure, missed payments and it had been approaching three years since any default. NewDay were modelling Mr B's income at a lower level than his bank statements seem to indicate during this time, so it would be difficult for me to say following the production of those bank statements, this on its own would have altered NewDay's decision to agree the increase the credit limit here.

In February 2022 NewDay increased Mr B's credit limit to £6,400 and again carried out affordability modelling which was based on a much lower level of income than Mr B seems to show on his bank statements. While there was evidence of unpaid direct debits these were corrected shortly afterwards and appears to be a timing issue potentially rather than a mismanaged bank account. This in itself wouldn't be a reason for NewDay not to lend further here, given Mr B's modelled disposable income and the fact his credit card account had been maintained well up until this point.

Overall, it's reasonable to say Mr B had maintained his account with NewDay in a way they would expect to see and in line with its low and grow model. Also, I'm satisfied NewDay did take reasonable and proportionate checks before approving the facilities afforded to Mr B, and I'm satisfied the production of bank statements from what I have seen wouldn't have changed its decision to provide the limit increase to £6,400 here, or for the other increases it approved prior to that. It's also important to say that Mr B by this point had held a relationship with NewDay for over six and a half years, so it's reasonable to say it had a long standing credit track record with him to fall back on.

From the information provided it does appear to suggest that Mr B started to experience some financial stress from around May 2022, but of course that was after the time NewDay had approved the facilities, so it wouldn't have been aware of that unless Mr B had made that clear to them.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr B 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.

I understand Mr B has a balance outstanding with NewDay and given what we know now, I would expect NewDay to provide forbearance and support and look at Mr B's financial

position positively and sympathetically.

While Mr B will be disappointed with my decision, I won't be asking anymore of NewDay here.

### **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 B to accept or reject my decision before 15 July 2025.

Barry White  
**Ombudsman**