

The complaint

Mr R complains NewDay Ltd trading as Aqua (NewDay) failed to carry out thorough financial checks before it increased his credit card limit.

What happened

Mr R says he holds a credit card account with NewDay and in April 2024 it increased his limit from £700 to £1,700 at a time when he was already only managing his minimum payments and his financial situation was under strain due to family health issues.

Mr R feels NewDay didn't conduct thorough enough financial checks before it increased his limit and if it had it would have shown the increase was unaffordable. Mr R says he should be refunded for the difference between the two limits.

NewDay says it typically provides small initial credit limits and may increase those over time but before any credit limit is approved it carries out a comprehensive affordability assessment using a wide range of information. NewDay says its assessment included the information contained in Mr R's application, information from credit agencies and how he managed his account with them.

NewDay says its investigation showed Mr R hadn't missed any repayments, had no active payday loans nor any defaults or CCJ's recorded and there was no evidence of any financial difficulties. NewDay felt the account was provided responsibly and the affordability assessments were appropriate and proportionate.

Mr R 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 are no set list of checks that lenders need to complete but they need to be borrower focused. The investigator says from the information he had seen, there was no adverse credit information at the time the limit was increased and Mr R's disposable income was more than sufficient to afford the increased limit.

The investigator felt the checks by NewDay could have been more thorough given Mr R had external debt of around £20,000 and sight of bank statements would have been useful. That said, when the bank statements were provided to this service the investigator felt these showed Mr R's account had been managed well with surplus credit balances being evidenced. The investigator felt after looking at Mr R's income and expenditure, it showed there was no obvious pressure on Mr R's finances despite his levels of external debt.

The investigator felt the fact Mr R was only paying the minimum balance each month wasn't sufficient reason to say he couldn't afford the increased payments on the new credit limit. The investigator felt the higher limit provided by NewDay was affordable.

Mr R 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 Mr R was experiencing financial difficulties due to family health issues, and that must be a source of worry to him.

When looking at this complaint I will consider if NewDay acted irresponsibly when it increased Mr R's credit card limit from £700 to £1,700 in April 2024.

Mr R's complaint centres around the fact NewDay didn't carry out sufficient financial checks before it increased his credit card limit. Mr R suggests if it had, NewDay would have seen he was only meeting his minimum monthly payments leading up to this time, and any increased borrowing was unaffordable to him.

The first thing to say here is 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 proportionate, borrower focused and take into account the sustainability and affordability of such a commitment.

From the information I have seen, NewDay carried out its own internal checks and affordability modelling, using data from credit reference agencies and the past history of the credit card account Mr R held with them.

From what I have seen there is no evidence of any obvious financial difficulties, missed payments, payday loans, defaults or CCJ's. While as Mr R has pointed out he was on a paydown plan with NewDay, it's worth mentioning here that plan was put in place in April 2021, three years before the increased limit was approved.

It's also worth saying here the plan in itself doesn't mean that Mr R's account had been mismanaged in any way, rather NewDay were following a directive from the Financial Conduct Authority (FCA) to prevent borrowers paying more interest than necessary, due in some circumstances by only meeting the minimum payments required – this is commonly referred to as persistent debt. So, the actions it took were what I would expect of a responsible lender at that time.

It's also worth mentioning consumers only making minimum payments doesn't necessarily mean they can't afford to repay debt, it is sometimes simply a lifestyle choice nor does it necessarily mean that increased borrowing isn't affordable then, or at some time in the future. What is important is any increased borrowing is deemed affordable.

The investigator suggested that NewDay knowing the level of Mr R's external debt of around £20,000, should have obtained bank statements to identify any financial pressure and I understand that and agree it would have been advisable to do so.

Having said that, it's also worth saying here by the time NewDay increased Mr R's limit to £1,700 it had held a financial relationship with him for six years without any major signs of financial stress. Additionally, from its affordability modelling Mr R could comfortably afford the increased minimum monthly payments, with a strong disposable income.

Mr R did provide this service with around six months of his bank statements leading up to

the increased limit and these showed no signs of obvious financial stress with healthy credit balances being recorded, even before the next month's salary was paid into his account. So, it's reasonable to say, even if NewDay had requested sight of those statements, it would have simply reconfirmed its own affordability modelling.

This service did ask Mr R to provide a copy of his full credit report to help identify any clear signs of financial difficulty, but this hasn't been made available to me, so I have relied on the extracts of NewDay's credit report analysis, which as I have mentioned earlier, showed no signs of obvious financial stress.

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

Taking this all into account, while Mr R will be disappointed with my decision, I can't say NewDay acted irresponsibly when it increased his credit limit to £1,700 in April 2024, so I won't be asking any more of it 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 R to accept or reject my decision before 29 July 2025.

Barry White
Ombudsman