

The complaint

Miss M complains NewDay Ltd trading as Aqua (NewDay) failed to carry out affordability checks before it approved a credit card facility and subsequently increased the credit limits on that credit card account.

What happened

Miss M says she took out an Aqua credit card facility with NewDay in December 2020 at which time it approved a credit limit of £900. Miss M says NewDay then went on to increase the credit card limit on three separate occasions between April 2021 and April 2022 with limit increases ranging from £1,900 to £3,750.

Miss M says at the time the credit card facility was taken out and subsequently increased, she was already under financial pressure and she had taken out payday loans and if NewDay had carried out more thorough financial checks it would have seen that. Miss M says she is now experiencing financial difficulties and this is affecting her mental health and wants NewDay to write off the credit card, refund the payments made to the account and have any adverse entries removed from her credit file.

NewDay says it is a responsible lender and provides credit to consumers with a less than perfect credit score and allows them to build up their credit profile over time. NewDay says before the credit facility was originally provided and when the credit limit was increased, as a responsible lender it carried out a comprehensive affordability assessment using its own credit modelling, information contained on Miss M's application, information from the credit reference agencies (CRA's) and how her account had been managed when considering any increases.

NewDay says at the time of the application Miss M had a declared income of £29,000, hadn't missed any payments with other lenders, had no active payday loans. NewDay says when the credit limits were approved there was no indication of financial difficulties and Miss M hadn't incurred any overlimit charges, hadn't made significant or frequent cash withdrawals or missed any payments with other lenders.

NewDay says it lent responsibly and the checks it carried out were appropriate and responsible.

Miss M 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 pointed out Miss M had raised other complaints about NewDay and these would be considered separately and this complaint related solely to Miss M's Aqua credit card account approved in December 2020 with an initial credit limit of £900 and the following credit limit increases:

Limit 1 increase £1,900 April 2021.

Limit 2 increase £3,150 August 2021

Limit 3 increase £3,750 April 2022

The investigator pointed out there were no set list of checks a lender must carry out but these should be borrower focused and take into account the type of lending, term and cost.

As far as the initial facility of £900 approved by NewDay was concerned, the investigator felt it had carried out sufficient checks and it was likely to be sustainably affordable. The investigator says the checks carried out showed Miss M had an annual income of £29,000 with a low debt to income level, no accounts were in arrears, there were no IVA's or CCJ's nor any defaults registered in the previous 18 months.

The investigator felt Miss M's net disposable income showed if the credit card was fully utilised it was sustainably affordable.

The investigator went on to say that when the subsequent three further limit increases were approved, NewDay obtained monthly data from the CRA's, completed its own affordability assessments and reviewed the management of the credit card account.

The investigator says while over the time of the limit increases her external borrowing had increased, there was no evidence of Miss M struggling to meet her commitments. The investigator says there were no over limits or late fees in the six months leading up to the increases and there were occasions when the Miss M had paid more than the minimum monthly payments.

The investigator concluded that NewDay had carried out reasonable and proportionate checks before it provided the level of credit it did.

Miss M 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 learn that Miss M is struggling financially and that must be a source of worry for her. When looking at this complaint I will consider if NewDay acted irresponsibly when it approved the credit card facility to Miss M in December 2020 and then approved the subsequent credit limit increases between April 2021 and April 2022.

Miss M takes the view that NewDay failed to carry out sufficient financial checks before it approved the Aqua credit card referred to by the investigator, and if it had, it would have seen the borrowing and subsequent credit limits it approved were unaffordable.

While I understand the points Miss M makes here, I'm not fully persuaded by her argument.

I say this for a number of reasons and it's worth stating here 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 and take into account the sustainability and affordability of such a commitment and are borrower focused taking into account the cost and term.

It's also worth pointing out here that NewDay are what is known as a "low and grow" lender and provide credit to consumers with perhaps a less than perfect credit score. 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 Miss M to build their credit standing over time – from what I have seen I'm satisfied that is what NewDay were looking to do here.

From the information I have seen, before the initial credit card limit was agreed, NewDay carried out credit searches, internal income and expenditure modelling and referenced information contained in Miss M's application, in which she declared she was employed earning circa £29,000 per annum.

Based on what I have seen, there was no indication of any obvious external financial pressure nor any indication on Miss M's credit file of recent defaults or CCJ's. So, I'm satisfied before it provided what was a modest initial credit card facility of £900, NewDay carried out reasonable and proportionate checks and based on Miss M's net disposable income and low debt to income ratio, the credit limit looked affordable and sustainable.

As far as the three limit increases are concerned I can see that NewDay on each occasion referred back to the CRA's data, and while external debt had increased over that time, there was no evidence to show any missed payments, CCJ's or recent defaults and Miss M had maintained her credit card account reasonably well and on occasions made larger than the minimum payment required.

So, from what I have seen there were no obvious external credit pressure at the times the limits were increased, that might warrant further checks here. Additionally, Miss M had managed her account reasonably well prior to the limit increases and taking all this into account, on balance I'm satisfied the checks NewDay carried out were proportionate and reasonable here. It's fair to say even when taken into account the increased external borrowing, the increased credit card lending on balance looked affordable with acceptable levels of debt to income. It's worth adding that having increased external levels of debt wouldn't be the sole reason for NewDay not to provide increased credit facilities here.

While I understand Miss M says she had payday loans at the time of the borrowing with NewDay, I can only consider and rely on the information provided to this service, and I can't see any reference to payday loans on the credit report extracts I have seen.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether its relationship with her 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 Miss M 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 Miss M to accept or reject my decision before 3 July 2025.

Barry White

Ombudsman