

The complaint

Miss A complains NewDay Ltd trading as Aqua (NewDay) failed to carry out reasonable financial checks before it approved a credit card account for her.

What happened

Miss A says NewDay approved a credit card account with a credit limit of £900 in January 2021, at a time when she already had sizeable external debt and was only making minimum monthly payments on her existing revolving credit facilities. Miss A feels NewDay should have carried out more robust financial checks, and if it had it would have seen the credit card it approved was unaffordable.

Miss A wants NewDay to refund all interest and charges on the credit card account along with 8% simple interest and to remove any adverse information from her credit file relating to this account.

NewDay says it is a responsible lender and offers credit to those with perhaps a less than perfect credit record. NewDay says it offers small initial limits with the intention to increase these over time, subject to good account management, to assist customers in building their credit standing.

NewDay says it carried out a detailed assessment using information contained within Miss A's application, information from credit reference agencies (CRA's) and its own affordability assessment. Based on this data and the fact there were no defaults, CCJ's or active payday loans, NewDay says it was satisfied the new credit card borrowing of £900 was affordable.

Miss A 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 there are no set list of checks lenders like NewDay must undertake before providing credit facilities, but these should be borrower focused.

The investigator says from the information available, he could see NewDay carried out an affordability assessment using Miss A's application and data from the credit reference agencies. The investigator felt these checks were reasonable and proportionate to support the amount of credit NewDay offered.

The investigator says the data from the CRA's showed there were no CCJ's, defaults, payment arrangements or any indication Miss A wasn't managing her affairs well and that she had a low debt to income ratio of around 11%. The investigator says while there was evidence of a missed payment in the last six months, this had been corrected prior to NewDay approving the credit card account.

The investigator says NewDay had carried out an affordability assessment which showed after allowing for the credit card it approved, Miss A had an effective disposable income of £141 per month, which was sufficient to meet the borrowing NewDay had approved. The investigator concluded that NewDay's decision to lend was fair.

Miss A 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 Miss A is experiencing financial difficulties and this must be a difficult time for her. When looking at this complaint I will consider if NewDay failed to carry out reasonable and proportionate financial checks before it approved a credit card account for Miss A in January 2021, for £900.

Miss A's complaint centres around the fact she believes NewDay should have carried out more robust financial checks before it approved the credit card account for her, bearing in mind she had significant other borrowing and her net disposable income was modest.

While I understand the points Miss A makes here, I'm not fully persuaded by her argument and I will go on to explain why.

It's worth saying here that NewDay are a "low and grow" lender who provide credit to customers with perhaps a less than perfect credit background, to help those consumers build their credit standing over time, so any minor negative credit history wouldn't necessarily preclude it from providing credit card accounts such as this.

I would say here as explained by the investigator, there are no set list of checks lenders like NewDay must undertake but these should be borrower focussed, meaning it takes into account the amount, type, term and cost of any borrowing. That said, it's not for me to tell NewDay what those checks should be or from what sources these must come from.

That said, I can see NewDay relied upon information and data provided by established CRA's and the details Miss A declared on her credit application. From the information I have seen, apart from one occasion of a missed payment that was corrected, there were no other obvious negative data recorded on Miss A's credit file, and her external borrowing at the time of her application was fairly modest and had been well managed. So with that in mind, I am satisfied the checks NewDay undertook were reasonable and proportionate to the amount of credit being approved.

Looking at the affordability assessment NewDay completed, I can see using the data and information from the CRA's and Miss A's application, it calculated her net disposable income to be £141 per month after allowing for £55 per month for the debt it had approved. While Miss A says her external debt was significant, from the information presented to me, her debt to income ratio was around 11% which would be considered low and the larger earlier borrowing Miss A referred to, had been repaid prior to this borrowing being approved.

While Miss A feels her net disposable income available to meet this commitment was low, it would still have left her with around £140 per month after meeting the maximum minimum payments for this level of credit if fully drawn. So on balance, I'm satisfied the credit approved was affordable and sustainable at that time.

While Miss A may not agree, I wouldn't expect NewDay to carry out the same level of extensive financial due diligence here as one might expect for say a larger longer term

committed loan. So it wouldn't be fair for me to say NewDay should have asked for further financial evidence of affordability, before approving a credit facility of this level.

Taking everything into account, on balance I'm satisfied NewDay's decision to lend here was fair.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss A 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 A 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 Miss A to accept or reject my decision before 25 September 2025.

Barry White
Ombudsman