

## **The complaint**

Mr B complains NewDay Ltd trading as AO Finance (NewDay) failed to carry out sufficient financial checks before approving two finance accounts for him.

## **What happened**

Mr B says NewDay approved two finance accounts for him in January 2020 (FA1) and December 2022 (FA2) for £900 and £2,500 respectively. Mr B says at the time he took out the credit facilities with NewDay he had high levels of external borrowing, a record of excess limits and late payments. Mr B says NewDay failed to carry out detailed financial checks before it approved the borrowing and have lent irresponsibly.

Mr B wants NewDay to refund all interest and charges on the two accounts along with 8% simple interest and to remove any adverse data from his credit file.

NewDay says it is a responsible lender and it provides credit to customers who may not have a perfect credit record. NewDay says before it approved the two finance accounts it carried out a detailed credit assessment using a wide range of information, including data from Mr B's credit applications and information from credit reference agencies (CRA's) and how Mr B may have managed his account with them in the past.

NewDay says the data it gathered showed there were no missed payments, no active pay day loans, no reportable payment arrangements, CCJ's or IVA's. NewDay says the accounts were provided responsibly and its assessments were appropriate and proportionate.

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 pointed out that there were no list of checks lenders like NewDay must carry out, but these need to be borrower focused and take into account the amount, type, cost and term of any borrowing.

The investigator says from the information available when FA1 was approved, Mr B had declared he was employed with a monthly net income of £2,036 and had a net disposable income (NDI) of around £450. The investigator says while a default was recorded against Mr B this was approaching three years old and there was little adverse information recorded on his credit file.

The investigator felt the checks carried out by NewDay were reasonable and proportionate and there was nothing to suggest the £900 facility was unaffordable.

The investigator went on to say that as far as FA2 of £2,500 was concerned, NewDay had carried out further financial checks at that time, with Mr B declaring a net monthly income of around £3,200 and calculated a NDI of around £1,000. The investigator says although the checks showed one missed mortgage payment, there was little adverse information recorded on his credit file other than that, with his external borrowing being well managed.

The investigator felt again the checks NewDay carried out were reasonable and proportionate and there was nothing to suggest this lending wasn't affordable. The investigator also pointed out Mr B's income was verified by NewDay using industry standard current account turnover (CATO) data at the time of both applications.

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 can see Mr B feels NewDay should have carried out more robust checks before it approved the two finance accounts for him in January 2020 and December 2022, such as a more detailed income verification.

When looking at this complaint I will consider if NewDay acted responsibly when it provided the two finance accounts and if the checks it undertook at those times were reasonable and proportionate.

The first thing to say here, as explained by the investigator, there are no set list of checks lenders like NewDay must undertake before it provides credit facilities to its customers, but these should be borrower focused taking into account the amount, type, term and cost of any such borrowing. It's also not for me to tell NewDay what checks it must carry out or from what source those checks must come from.

It's also worth pointing out here NewDay typically provide credit to consumers with perhaps a less than perfect credit history and help customers build their credit standing over time. So while it may be true that Mr B had some record in the past of finance issues, that wouldn't be a reason in itself for NewDay to decline an approach for credit facilities as it is what is known as a second chance lender.

Here I can see before NewDay approved FA1 of £900, it carried out various credit checks including the information declared on Mr B's application, data collected from CRA's and verified his income using industry standard CATO data. From what I have seen this data showed Mr B had external credit availability of around £23,000 but not fully utilised, and while there was a historic default approaching three years before, Mr B had since managed his borrowings well. The affordability checks NewDay carried out at that time identified Mr B had a fairly strong NDI of £455, more than sufficient to meet the commitment here.

So here I wouldn't expect NewDay to undertake the same level of intensive due diligence one might expect to see for say a much larger committed long term loan. So, I'm satisfied from the affordability modelling NewDay carried out, based on internal and external data sources, that was sufficient for it to conclude the new lending was affordable.

As far as FA2 for £2,500 is concerned, it's worth mentioning the previous FA1 borrowing had been fully repaid without issues by that time. So NewDay had built up a financial relationship with Mr B for approaching three years. I can see NewDay carried out similar financial checks using CRA's and other external data sources and the information declared in Mr B's application showed an annual income of £49,000.

By this time Mr B's nonmortgage lending had reduced to £19,000, and around the same time FA2 was agreed, he had been approved for a mortgage, suggesting his finances stood up to a level of financial scrutiny a mortgage application would demand. The investigator suggested Mr B had a missed mortgage payment, but from the credit file Mr B provided I can see no evidence of this at that time.

In fact his credit file suggests leading up to FA2 being approved, Mr B's external borrowings had been well managed, including his previous account with NewDay, and his NDI had improved to around £1,000 per month. Given this and the fact NewDay verified Mr B's income by industry standard CATO data, and carried out its own affordability modelling, I am satisfied that was sufficient for it to have approved the borrowing and those checks were reasonable and proportionate.

So with that in mind and for the reasons I have already stated, I am satisfied NewDay acted responsibly when it provided the two finance accounts for Mr B.

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.

While Mr B 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 B to accept or reject my decision before 15 September 2025.

Barry White  
**Ombudsman**