

The complaint

Miss N complains that NewDay Ltd trading as Aqua (NewDay) shouldn't have agreed to her opening a revolving credit facility (credit card account). And applying a subsequent credit limit increase as they should have seen the lending wasn't affordable for her.

In bringing her complaint Miss N is represented by a third party. For ease of reading I will only refer to Miss N in my decision.

What happened

In June 2024 Miss N applied for a credit card with NewDay. Her application was successful and NewDay applied a credit limit of £1,200. In October 2024 NewDay increased Miss N's credit limit to £2,700. Miss N said she struggled to sustain the repayments, and had NewDay properly checked her financial circumstances they would have seen the lending wasn't affordable for her. She complained to NewDay.

NewDay said they'd used Miss N's application, credit reference agency (CRA) and statistical data to assess whether the lending was affordable for her. And based on these Miss N should have had sufficient disposable income to sustain her repayments. They said the lending decision they'd made was fair.

Miss N wasn't happy with NewDay's response and referred her complaint to us.

Our investigator said NewDay's checks on account opening were reasonable and proportionate and based on these they'd made a fair lending decision. But said they should have done more checks before increasing Miss N's credit limit further. After reviewing Miss N's financial situation at the time of the credit limit increase our investigator said the lending decision made by NewDay was fair as Miss N should have been able to sustain the repayments.

Miss N disagreed and asked for an ombudsman to decide.

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.

I appreciate my decision will be a disappointment for Miss N but having done so I'm not upholding this complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before NewDay offered the credit they needed to complete reasonable and proportionate checks to be satisfied Miss N would be able to repay the debt in a sustainable way.

There isn't a set list of checks a firm needs to do. But in deciding what was proportionate NewDay needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating

to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that NewDay provided Miss N with a revolving credit facility rather than a loan. This means the required repayment each month wasn't a fixed amount but calculated as a percentage of the transactions made and any outstanding balance. NewDay was approving a credit limit of £1,200. As it was revolving credit there's no set amount that needed to be repaid each month, but the relevant guidance requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. So, I think NewDay could have reasonably assumed Miss N would need to be able to pay around £60 per month.

NewDay said they used Miss N's application and cross checked this with CRA data. From this they assessed Miss N had a monthly income of £1,911.80 and credit commitments of £30.08. NewDay also used statistical data which the relevant guidance allows them to do to determine Miss N's housing (£360.41) and cost of living (£446.76) expenditure. This showed Miss N should have had a disposable income of £1,051.12 before the new lending was factored in. It also showed Miss N's debt to income ratio was low around 1.76%.

CONC says a firm needs to take reasonable steps to estimate a borrower's income and non-discretionary spending. And I'm satisfied NewDay did this.

From the CRA check I can see that Miss N had previous financial difficulties as there was a registered default and a county court judgement (CCJ) showing on her credit history. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. Here, NewDay considered the information that Miss N had on their credit file and still decided to lend which, in the circumstances, I think was reasonable. I say this as the default had been registered 60 months prior to the new lending, and the CCJ some 32 months before. So, I'd consider these to be historic and Miss N was managing her active credit well, her level of indebtedness was low, and she was up to date with all her repayments.

So, I consider on account opening that NewDay's checks were reasonable and proportionate. I don't think that there was anything immediately obvious in the information that NewDay had, including Miss N's existing credit, which meant they shouldn't rely on them. I don't think NewDay needed to have asked Miss N to provide further evidence in support of her expenditure such as bank statements, before they provided her with a credit limit in this instance. Given the type and amount of credit being provided I'm satisfied NewDay made a fair lending decision.

NewDay increased Miss N's credit by a further £1,500 in October 2024. They've shown they did similar checks as they'd done on account opening. I can see Miss N's monthly income had reduced to £1,436, and her credit commitments had increased to £86, which would be reflective of the inclusion of the credit card she now had with NewDay.

NewDay also had internal data as to how Miss N was managing her account with them. This showed Miss N had utilised 57% of her credit limit. There wasn't any history of missed payments or over the limit charges. And she'd paid in more than the monthly repayment required. Over the months from inception to credit limit increase Miss N had been required to repay around £50 in total, I can see she'd actually repaid in total around £895. As mentioned above when considering lending to Miss N NewDay needed to assess whether Miss N could settle the full amount within a reasonable period. NewDay was providing Miss N with a further £1,500 so needed to see whether she could sustain a further repayment, which I

think would be around an additional £45 a month. Miss N's payment history with NewDay would show that this was affordable for her. And NewDay's credit check didn't highlight any new adverse information being added to Miss N's credit file.

But Miss N's income had reduced from the initial opening. So I think NewDay should have checked into this further. This doesn't automatically mean NewDay shouldn't have lent to Miss N, only that I think they should have questioned this further. So I need to see what they would have found if they had. I don't necessarily expect this to have been done by obtaining Miss N's bank statements, but for our purposes these are a good indicator of Miss N's finances.

Miss N has provided bank statements and her credit report. From these I can see Miss N's monthly income was made up of benefits and reflects the amount NewDay found from their checks, around £1,450. Income can be received from many different sources. Having an income comprising solely of benefit payments shouldn't exclude a person from being accepted for credit. While a lender is entitled to decide who they do or don't want to lend to based on their own commercial appetite, in providing credit they're under regulatory obligations to ensure that the lending is affordable.

From reviewing both Miss N's credit report and bank statements I haven't seen any evidence to show the lending was unaffordable. Miss N had a regular income and was meeting her non-discretionary expenditure and credit commitments without showing signs of financial difficulty. I can also see that Miss N was able to repay, at times, more than the required amounts for her credit commitments.

While I can see she'd had some direct debits returned, as considered by our investigator these appear to be administrative rather than a sign of financial vulnerability. Miss N's account was occasionally slightly overdrawn but this would only be for a short period, no more than a day.

From the evidence I've seen Miss N had sufficient income to meet her non-discretionary expenditure and sustain her credit commitments including this lending without causing financial strain. So I'm satisfied had NewDay checked further they would have made the same lending decision as added to their other checks this would have shown Miss N had sufficient disposable income to sustain her repayments.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss N has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think NewDay lent irresponsibly to Miss N or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 18 August 2025.

Anne Scarr
Ombudsman