

The complaint

Miss S complains that NewDay Ltd trading as Aqua (NewDay) acted irresponsibly in agreeing to a credit card account and subsequent credit limit increase as she said the lending wasn't affordable for her.

What happened

In April 2022 Miss S applied for a credit card with NewDay. Her application was successful and NewDay applied a credit limit of £900. In September 2022 NewDay further increased Miss S' credit limit to £1,900. Miss S said this had caused her to struggle financially, and that NewDay hadn't sufficiently checked the lending was affordable for her. She complained to them.

NewDay said their checks were proportionate for the lending they'd provided. They'd used application and credit reference agency (CRA) data to assess whether the lending was affordable for Miss S. Based on these checks they said their lending decision was fair as Miss S should have been able to sustain the repayments.

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

Our investigator said the checks done by NewDay at the account opening were reasonable and proportionate, and that they'd made a fair lending decision. But said NewDay should have done more before increasing Miss S' credit limit. She asked for Miss S to provide further evidence but having considered these said NewDay hadn't acted unfairly by increasing Miss S' credit limit.

Miss S didn't agree 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 disappoint Miss S, but having done so I'm not upholding her 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 lending they needed to complete reasonable and proportionate checks to be satisfied Miss S would be able to repay the debt in a sustainable way.

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 S with a revolving credit facility rather than a loan. This means the required repayment is based on the monthly transactions and any outstanding balance rather than the same fixed amount each month. While it was revolving credit with no set amount that needed to be repaid each month the relevant guidance required NewDay 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. On the account opening NewDay applied a credit limit of £900. So I think NewDay could have reasonably assumed Miss S would need to pay around £45 per month in order to clear the full amount owed within a reasonable period of time.

I've considered the checks NewDay carried out. From her application Miss S declared she'd an annual salary of £26,000, which they equated to £1,853.30 a month. NewDay cross checked the information from Miss S' application with a CRA. This showed she'd credit commitments of £77.64, a low level of indebtedness. NewDay also used statistical data, which the relevant guidance allows them to do to assess Miss S' non-discretionary spending. In their assessment they considered Miss S had living costs of £599.81 and housing costs of £405.75. This would have left Miss S with over £700 in disposable income before factoring in the new lending of around £45. Which would seem to show the lending was affordable for her.

NewDay's CRA check also showed Miss S had previously struggled financially as there were defaults registered on her credit history, these being 32 months prior to the new lending. 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 S had on her credit file. This showed her defaults would be considered historic and she was now managing her credit well utilising around 4% of her income for her debt. NewDay made a decision to lend knowing this which, in the circumstances, I think was reasonable.

So I'm satisfied the checks NewDay did at the account opening were reasonable and proportionate. And that their decision, based on these checks, was fair.

In September 2022 NewDay increased Miss S' credit limit by a further £1,000. If fully draw down this would mean an additional monthly repayment of £50. I can see NewDay verified Miss S' monthly income with a CRA check, as well as checking her credit commitments and management of her credit accounts. They also used statistical data to determine Miss S' housing and living costs. These checks showed Miss S had a monthly income of around £3,863. I take on board Miss S' comments that part of her monthly income was through benefit payments. People can receive income from many different sources. The business providing any credit will have its own lending criteria enabling them to decide who they do or don't want to lend to based on their own commercial appetite. But they're under regulatory obligations to ensure that the lending is affordable.

NewDay's checks showed Miss S' credit commitments were now £58, her living costs £629 and housing costs £650. Which meant Miss S had around £2,500 a month in disposable income before factoring in any further repayment. There wasn't any new adverse information added to her credit file as it now showed her last defaults some 36 months prior to the credit limit increase.

As Miss S now had an account with NewDay they also had the additional information as to how she was managing her account with them. I can see from this that Miss S was paying more than the minimum repayment that was required. Having paid in the preceding four months around £780 against the total minimum payment requirement of around £111. As the monthly repayment would be around a further £50 each month, this would seem to show Miss S would be able to sustain this additional expenditure.

But I can also see that in the four months Miss S had requested two cash advances totalling £420. While a cash advance is generally a standard option for a credit card account, it does attract a cash advance fee and its to start being paid back from the time its advanced. So it could have been a sign Miss S was in need of money, a sign of financial vulnerability, something I would have expected NewDay to look into. So I don't think their checks were proportionate for the credit limit increase.

While I don't think NewDay checked enough this doesn't automatically mean I'd uphold this complaint as I need to see what any further checks would have shown about the affordability of the lending. I wouldn't necessarily expect NewDay to have considered Miss S' bank statements but for our purposes these are a good indicator of Miss S' financial situation at the time of the lending.

Miss S has provided her bank statements for the three months prior to the lending. This shows she'd a monthly income including salary and benefits of around £3,800 which is in keeping with the check NewDay did. I can also see Miss S' was paying her non-discretionary expenditure without any signs of financial vulnerability such as unpaid direct debits or use of any overdraft. From the statements I've seen Miss S had sufficient disposable income each month to sustain her repayments. So I can't say NewDay acted unfairly by increasing her credit limit as I think if they'd checked further they would have still lent to Miss S as the lending was affordable for her.

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

It would appear that Miss S' financial circumstances changed after NewDay increased her credit limit. So, while I'm not upholding this complaint as I'm satisfied the lending was affordable at the time it was lent. I'd like to remind NewDay of their obligations to exercise consideration and forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Miss S is experiencing financial difficulty.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 14 August 2025.

Anne Scarr
Ombudsman