

The complaint

Mr I complains NewDay Ltd trading as Aqua (NewDay) acted irresponsibly when it approved a credit card account for him.

What happened

Mr I says NewDay approved a credit card account for him in January 2022 with a credit limit of £450 and then increased the limit on that account in June 2022 to £1,200. Mr I says he was struggling financially when he took out the credit card and at the time of the increased credit limit, he was only paying the minimum payments on his existing debt and NewDay never asked for proof of his income. Mr I says if NewDay had carried out more thorough financial checks it would have seen he was in persistent debt and any new borrowing was unaffordable.

Mr I wants NewDay to refund all interest and charges on the credit card account along with 8% simple interest.

NewDay says it's 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 this 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 Mr I's application, information from credit reference agencies (CRA's) and its own affordability assessment. Based on this data and the fact there were no recent defaults in the last two years, CCJ's or active payday loans, NewDay were satisfied the new credit card borrowing of £450 was affordable.

NewDay says when it increased the credit limit to £1,200 some five months later, it carried out the same affordability modelling and checks using recognised CRA's which showed no new defaults, payment arrangements or payday loans. NewDay says from the detailed assessment it carried out it felt Mr I could afford the new increased credit limit and its decision to lend was responsible.

Mr I 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 says there are no set list of checks lenders like NewDay must carry out before it approves credit facilities to its customers but these must be customer focused taking into account the amount, type, term and cost of any borrowing.

The investigator says from the information he had seen NewDay had carried out an affordability assessment using information from Mr I's application and data from CRA's. The investigator says this data showed there were no CCJ's, IVA's, reportable payment plans or payday loans and while there was a recorded default, this was over two years old and therefore historic.

The investigator says the affordability assessment by NewDay showed Mr I had a strong disposable income and there was no evidence to suggest he was over committed and the £450 credit limit was affordable. The investigator says when the credit limit was increased to £1,200 in June 2022, NewDay carried out further financial checks using CRA data which showed no further issues, updated its affordability assessment and reviewed Mr I's account management and felt the new borrowing was affordable.

Mr I 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 Mr I is experiencing financial difficulties and that must be a source of worry for him. When looking at this complaint I will consider if NewDay acted irresponsibly when it approved a credit card facility for him in January 2022 and subsequently increased the credit limit on that account in June 2022.

Mr I's complaint centres around the fact when NewDay provided him with a credit card account and increased the credit limit on that account, he was already struggling financially with signs of persistent debt, cash advances and high credit utilisation. Mr I says if NewDay had carried out more thorough financial checks it would have seen the new borrowing it approved was unaffordable.

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

The first thing to say here is NewDay are what is known as a low and grow lender and provide credit to consumers with a less than perfect credit score. This means NewDay provide an initial modest credit facility and look to increase the facility over time having seen the account managed within the terms of the agreement and therefore helps consumers like Mr I to build their credit standing over time.

It's also worth saying 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.

From the information I have seen at the time Mr I applied for the credit card account in January 2022, before NewDay approved the modest credit limit of £450 it carried out financial checks using details from Mr I's application and data from recognised CRA's.

I can see this data showed Mr I had a declared income of around £26,000 per annum with strong levels of disposable income of around £800 per month and had low levels of external debt. The data NewDay used showed a default dating back over two years which I would consider historic and no further obvious signs of financial stress. So I am satisfied the checks NewDay undertook were proportionate and the lending decision was fair, also taking into account its low and grow lending approach for what was after all a modest credit facility.

As far as the increased credit limit to £1,200 is concerned in June 2022, again this follows NewDay's low and grow approach. I can see at that time it carried out further affordability modelling taken from data using the same CRA's, which showed only a modest uplift in Mr I's external borrowing with no further reportable issues evidenced.

From this data, there were no obvious issues apart from one late payment in March 2022, and Mr I had managed his external borrowing well. So I'm satisfied that in itself wouldn't be a reason for NewDay not to approve the increased lending, as the affordability modelling showed the borrowing looked affordable at that time.

It's reasonable to say here that I wouldn't expect NewDay to carry out the same level of financial due diligence as one might expect to see for say a large committed long term loan, given the level of credit being provided. So while Mr I says his rent was higher than the figures NewDay used for its modelling, I wouldn't expect for NewDay to ask for sight of his rental agreement or bank statements before approving this level of credit.

While Mr I refers to persistent debt, that wouldn't be appropriate for his credit card account with NewDay, as he had only held the account for five months before the credit limit was increased and that wouldn't meet the Financial Conduct Authorities definition of persistent debt. What I would expect is for NewDay to check that any external borrowing was well managed, which from the information I have seen in the past two years, it was.

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

So on balance, while Mr I will be disappointed with my decision, I am satisfied NewDay carried out reasonable and proportionate checks before it approved the credit facilities for him when it did, and I won't be asking anymore of it 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 Mr I to accept or reject my decision before 9 September 2025.

Barry White
Ombudsman