

The complaint

Mr T complains that NewDay Ltd lent irresponsibly when it approved two credit card applications she made and later increased the credit limits.

What happened

Mr T applied for an Aqua credit card in February 2022. In his application, Mr T said he was employed with an annual income of £28,000 that NewDay calculated left him with £1,973 a month after deductions. NewDay carried out a credit search and found Mr T owed around £1,125 in unsecured debt and was making monthly repayments of £22. Defaults, the newest of which was 13 months old, were also noted on Mr T's credit file. Estimates for Mr T's rent of £616 and general living expenses of £449 a month were applied to Mr T's income in addition to the cost of his existing debts when completing an affordability assessment. NewDay says Mr T had a disposable income of £845 a month after meeting his existing outgoings and approved a credit card with a limit of £600.

Mr T used his Aqua credit card and NewDay increased the credit limit as follows:

Event	Date	Limit
App	Feb-22	£600
CLI1	Jun-22	£1,600
CLI2	Nov-22	£2,450
CLI3	Aug-23	£3,200

Mr T applied for a Marbles credit card with NewDay in March 2023. In this application, Mr T gave an annual income of £31,900 that NewDay calculated left him with £2,207 a month after deductions. Aqua completed an affordability assessment using a rent figure of £648 and general living expenses figure of £458 a month. A new credit search found Mr T's unsecured debts stood at £3,465 with monthly repayments of £176. No new adverse credit, defaults or recent missed payments were found on Mr T's credit file. Aqua applied its lending criteria and says Mr T had a disposable income of £881 a month after covering his existing outgoings. NewDay approved Mr T's Marbles application and issued a credit card with a £900 limit. NewDay increased the credit limit to £1,650 in August 2023.

More recently, Mr T complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving both applications and increasing the credit limits and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr T's complaint. They thought NewDay completed reasonable and proportionate checks before approving Mr T's Aqua application and increasing the credit limit to £1,600 in June 2022. The investigator also thought NewDay completed proportionate checks and lent responsibly when approving Mr T's Marbles application in March 2023. The investigator thought NewDay should've carried out better checks before increasing the credit limit over £1,600 for the Aqua card and £900 for the Marbles account and reviewed Mr T's bank statements to get a clearer picture of his

circumstances. The investigator thought Mr T's bank statements showed he was able to support the increased credit limits and thought better lending checks by NewDay would've still led it to proceed. Mr T asked to appeal and provided a detailed explanation of why he feels NewDay's lending checks fell short and why both credit cards were unaffordable. As Mr T asked to appeal, his complaint has been passed to me to make a 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.

Before agreeing to lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr T could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information that NewDay used when considering Mr T's Aqua application above. I can see Mr T provided details of his employment and income. And NewDay carried out a credit search to check Mr T's existing commitments. I can see NewDay found Mr T owed around £1,125 with monthly payments of £22. Defaults, the newest of which was 13 months old, were found on Mr T's credit file. But NewDay has confirmed it accepts some historic defaults and I'm satisfied the ones found on Mr T's credit file were taken into account. Reasonable estimates for Mr T's rent and living expenses were used in addition to Mr T's monthly repayments to his existing debts when completing the affordability assessment. I can see NewDay reached the conclusion Mr T had a disposable income of £881 a month after covering his existing outgoings. In my view, that was a reasonable conclusion to reach following proportionate lending checks. I'm satisfied the decision to approve Mr T's application was reasonable based on the information Aqua obtained. I haven't been persuaded NewDay lent irresponsibly when it approved Mr T's Aqua application.

I've reviewed the information used when considering CLI1 for the Aqua credit card. I can see a new credit search found Mr T owed around £3,700 and was making monthly repayments of £152. No new adverse information or missed payments were found on Mr T's credit file. I note that the rent figure used in the affordability assessment was unreasonably low at £91 a month. But I think it's fair to note NewDay's calculations found Mr T had a disposable income of £1,673 a month after covering his existing outgoings. So even using the original rent figured NewDay applied in the application of £616 a month, Mr T would've still had around £1,150 a month remaining. I also think it's reasonable to note Mr T's Aqua credit card had been well maintained with no fees applied. Taking everything together, I think the level of checks were reasonable to the credit limit increase NewDay went on to approve. And I'm satisfied the decision to approve CLI1 for the Aqua credit card was reasonable based on the

information NewDay obtained. I haven't been persuaded NewDay lent irresponsibly when it approved CLI1 on the Aqua account.

I can see that when considering CLI2 and CLI3 for the Aqua account NewDay used income figures of £3,081 and £5,188 respectively. But I note Mr T's other debts had increased to £6,097 before CLI2 and £11,960 before CLI3. In my view, the increase in Mr T's unsecured debts is at odds with the income figures NewDay used. Further, when Mr T applied for his Marbles credit card in March 2023, five months before CLI3 on the Aqua account, he confirmed his income was £31,900 or £2,207 a month. I also note the rent figures used by NewDay were unrealistically low which will have inflated Mr T's disposable income figure. As I haven't been persuaded NewDay completed reasonable and proportionate checks before approving CLI2 and CLI3 for the Aqua account, I've gone on to think about what better lending checks would've found. Mr T has forwarded his bank statements for the three months before each decision was made so I've reviewed those to get a clearer picture of his circumstances.

In the three months before CLI2 on the Aqua account was approved Mr T had an average income of £2,250. During the same period, Mr T had average outgoings of around £1,708 a month for items like his rent, utilities and existing debts. That figure includes several overpayments Mr T made in addition to his normal debt repayments. I found Mr T had around £542 a month available after covering his existing outgoings. In my view, that figure was sufficient for Mr T to be able to sustainably afford repayments to an increase in the credit limit of £850 taking it to £2,450. Whilst I agree NewDay didn't carry out proportionate checks, I think it would've still agreed to lend if more reasonable checks had been completed. I haven't been persuaded Mr T's bank statements show NewDay lent irresponsibly when it approved CLI2.

I've taken the same approach when considering CLI3. I can see that during this three month period Mr T made regular overpayments to his existing creditors, including NewDay. I can also see transfers being received into Mr T's bank account from other accounts and trading platforms. For the purposes of this assessment, I've relied on Mr T's paid income and regular outgoings. I found Mr T had an average income of £2,704 and average outgoings of around £1,800 when taking his rent, utilities, mobile phone and existing debts into account. Mr T's bank account was well maintained. From the bank statements, I think Mr T would've had around £900 a month available after covering his existing commitments. In my view, that was sufficient to sustainably afford the credit limit increase of £750 NewDay went on to approve. In my view, if NewDay had carried out more detailed lending checks like reviewing Mr T's bank statements it would've most likely found the increased limit as affordable for and approved CLI3. As a result, I haven't been persuaded NewDay lent irresponsibly when it approved CLI3.

Mr T's Marbles application in March 2023 contained a higher income of £31,900 a month. NewDay completed a new credit file and found Mr T owed around £3,465 at the time with monthly repayments of £176. No new adverse credit, defaults or recent missed payments were found on Mr T's credit file. I can see NewDay used reasonable estimates of Mr T's rent at £648 and general living expenses of £458 a month. Marbles used those figures in addition to Mr T's credit repayments when completing its affordability assessment. And Marbles reached the view Mr T had a disposable income of around £881 a month after covering his existing outgoings. I haven't seen anything that would've indicated to Marbles Mr T was experiencing financial difficulties. In my view, the level and nature of checks completed by NewDay when considering Mr T's Marbles application were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr T's Marbles application was reasonable based on the information NewDay obtained. I haven't been persuaded that NewDay lent irresponsibly when it approved Mr T's Marbles application.

I've gone on to look at the credit limit increase for the Marbles credit card in July 2023. Again, the income figure used by NewDay wasn't realistic. Just four months before Mr T said he was earning £2,207 a month so I think it's unreasonable to use an income figure of £4,337 a month such a short time later. Further, the rent figure of £103 a month was also unrealistically low. As I haven't been persuaded NewDay completed reasonable checks when approving the credit limit increase in July 2023 I've reviewed Mr T's bank statements to get a clearer picture of his circumstances.

Mr T's bank statements continue to show his earnings, which averaged £2,823 a month, along with other transfers from different accounts and funds received from trading platforms. In addition, I can see various manual payments made to Mr T's credit, generally following receipts of transfers. I've based my assessment on Mr T's normal income and outgoings. I found Mr T's regular outgoings for items like rent, utilities, council tax, mobile phone costs and his existing debts came to around £1,800 a month. That left Mr T with around £1,000 a month to cover his remaining outgoings and living costs. In my view Mr T's bank statements show he was in a position to sustainably afford an increase of £750 taking the Marbles credit limit to £3,200. I think it's most likely that better lending checks, like reviewing Mr T's bank statements, would've still resulted in NewDay approving the credit limit increase for his Marbles account in August 2023. I'm sorry to disappoint Mr T but I haven't been persuaded that NewDay lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr T or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 October 2025.

Marco Manente
Ombudsman