

The complaint

Ms M complains NewDay Ltd trading as Fluid (NewDay) failed to carry out sufficient financial checks before it approved a credit card account for her.

What happened

Ms M says in May 2018 NewDay approved a credit card account for her with a credit limit of £600. Ms M says at that time she was already under financial pressure with outstanding hardcore debt being repaid. Ms M says NewDay have lent to her irresponsibly, as it failed to carry out sufficient financial checks before it approved the credit card account and if it had it would have seen worrying spending patterns and any new debt would be unaffordable.

Ms M wants NewDay to refund any interest charged to the credit card account along with 8% simple interest.

NewDay says it provides credit to those with perhaps a less than perfect credit background or low or no credit history, to help its customers build up a credit history over time. NewDay says it carried out comprehensive financial checks before it approved the credit card account for Ms M, using data and information from a credit reference agency and Ms M's application.

NewDay says from the sources it used there were no defaults, payday loans, CCJ's or bankruptcies recorded and her net disposable income was sufficient to meet the new commitment. NewDay says it acted responsibly here.

Ms M 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 set list of checks that lenders must carry out, but these must take into account the customers circumstances and consider the type, cost and term of the lending approved.

The investigator felt while NewDay did carry out an affordability assessment, checks using credit reference agencies (CRA's) and details from Ms M's application it could have done more, as there was evidence of two arrears in the previous six months.

The investigator obtained copies of Ms M's bank statements leading up to the credit card being approved. From this, the investigator concluded Miss M's disposable income was sufficient to sustain the payments on the credit card account going forward and felt NewDay's lending decision was fair.

Ms M 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 hear Ms M is experiencing financial difficulties and that must be a source of worry for her. When looking at this complaint I will consider if NewDay acted irresponsibly when it provided the credit card account to Ms M in May 2018.

Miss M complaint centres around the fact she was already struggling financially when NewDay approved the £600 credit card facility and if it had carried out a proper financial check it would have seen that. Miss M also disagrees with the investigator's view that the level of her net disposable income was sufficient to sustain this new borrowing.

While I understand the points Miss M makes here, I'm not fully persuaded by her 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 provides consumers with 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 Ms M to build their credit standing over time.

As the investigator alluded to, there is no set rules of what checks lenders like NewDay must undertake when looking to provide credit to its customers, other than these are borrower focused, proportionate and consider the sustainability and affordability of such a commitment and consider the amount, term and type of the borrowing. It's worth adding that it's not my role to tell NewDay where those credit check sources must come from.

From the information I have seen before the credit card limit was agreed, NewDay carried out a credit search using a CRA, conducted an income and expenditure assessment and referenced information contained in Ms M's application, in which she declared she was employed earning circa £29,000 per annum. Based on what I have seen from the data NewDay used, there was no indication of any major external financial pressure nor any indication on her credit file of defaults or CCJ's.

From the data NewDay provided this service, it shows Ms M had a strong level of net disposable income (NDI) and relatively low levels of external debt back in May 2018. While there was two examples of arrears referenced, this was taken into account by NewDay under its "low and grow" model referred to earlier, and it offered what I would consider a modest credit facility to Miss M of £600.

It's reasonable to say here that I wouldn't expect NewDay to carry out the same level of financial due diligence one might expect to see for say a larger, long term committed loan.

So, unlike the investigator I'm satisfied before it provided what was a modest initial credit card facility of £600, NewDay carried out reasonable and proportionate checks and this new borrowing looked affordable based on its credit modelling.

That said the investigator did obtain sight of Ms M's bank statements and some payslips, and like her I am satisfied even if NewDay had seen these, it would have in all likelihood come to the conclusion the income and expenditure pretty much matched the data it had relied on by the CRA's and in her application, and the new facility it approved was affordable.

It's also worth adding here that Ms

during the time the credit card was in place, until it was fully repaid around 12 months later, no interest was charged to the account. So on balance it reasonable to say there wasn't any major financial disadvantage to Ms M taking out this credit card account. .

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with her 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 Ms M 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 Ms M to accept or reject my decision before 28 August 2025.

Barry White
Ombudsman