

The complaint

Mrs M complains that NewDay Ltd lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Mrs M applied for an Aqua credit card in January 2020. In her application, Mrs M said she was employed with an annual income of £10,000 that NewDay calculated left her with £750 a month. NewDay applied estimates for Mrs M's rent of £208 and general living expenses of £398 a month. NewDay also carried out a credit search and found Mrs M was making monthly repayments of £53 a month to her existing debts. A County Court Judgement and some defaults were noted which were all over four years old. NewDay applied its lending criteria to the application and says Mrs M had an estimated disposable income of £76 a month after covering her existing outgoings and new credit card payment. NewDay approved Mrs M's application and issued a credit card with a £1,200 limit.

Mrs M used her credit card and NewDay went on to increase the limit as follows:

Event	Date	Limit
App	Jan-20	£1,200
CLI1	Oct-20	£1,950
CLI2	Aug-21	£2,700
CLI3	Dec-21	£3,700
CLI4	Apr-22	£4,700
CLI5	Jun-22	£5,700
CLI6	Apr-23	£6,000
CLI7	Aug-23	£6,500

Last year, representatives acting on Mrs M's behalf complained that NewDay lent irresponsibly. NewDay issued a final response but didn't agree it lent irresponsibly and didn't uphold Mrs M's complaint. NewDay's final response also talked about a Fluid credit card Mrs M opened in December 2021.

Mrs M's representatives referred her NewDay complaint to this service and it was upheld by an investigator. They thought Mrs M's low estimated disposable income of £76 a month showed she wasn't in a position to sustainably afford repayments to a new credit card and upheld her complaint.

NewDay later sent across the lending data for Mrs M's Fluid credit card and the investigator explained they weren't persuaded it lent irresponsibly in relation to that account.

NewDay didn't accept the investigator's view of Mrs M's complaint and said, amongst other things, the minimum payment was factored into its lending calculations prior to the estimated

disposable income of £76 being reached. As NewDay asked to appeal, Mrs M's 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 Mrs M 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 Mrs M's Aqua application above. I note that Mrs M was earning £750 a month and that after applying estimates for her regular outgoings and credit commitments NewDay found she had around £76 remaining. In response to the investigator, NewDay said that figure was calculated *after* the minimum payment was already taken into account. Mrs M's monthly income was £750 with £208 deducted for rent, £53 for her existing debts and £398 for her general living expenses. That left Mrs M with £91 a month after covering her outgoings. So even accepting Mrs M had £91 a month remaining before making a new credit card payment, I still think the decision to approve a credit card with a £1,200 limit was unreasonable.

Given Mrs M's modest monthly income of £750 and £91 disposable income, I'm satisfied she wouldn't have had funds available to cover any emergency or unexpected expenses that may've arisen. In my view, Mrs M was already at capacity in January 2020 when she made her application and the information NewDay obtained showed she wasn't in a position to sustainably afford repayments to a new Aqua credit card with a £1,200 limit.

It follows that if I think Aqua lent irresponsibly when it approved Mrs M's application I think the same of the credit limit increases. I've reviewed the lending data and whilst I can see affordability assessments were completed, I think it's reasonable to note that her unsecured debt levels increased substantially in the four years after her application. In January 2020 Mrs M owed around £940 but by the time of the final credit limit increase in August 2023 her outstanding unsecured credit stood at around £20,000. I think that reinforces the view that Mrs M was borrowing at an unsustainable rate and that her Aqua credit card wasn't affordable or sustainable in the longer term.

As I'm satisfied the decision to approve Mrs M's application wasn't reasonable I'm upholding her complaint about the Aqua credit card and directing NewDay to refund all interest, fees and charges applied from the date of approval.

Mrs M's representatives have recently told us they to focus on the Aqua complaint so I'm not going to comment on the Fluid account further in this decision.

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, I'm satisfied the redress I have directed below results in fair compensation for Mrs M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mrs M's complaint and direct NewDay Ltd to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mrs M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mrs M credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mrs M for the remaining amount. Once Mrs M has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs M a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 August 2025.

Marco Manente
Ombudsman