

The complaint

Mr B complains NewDay Ltd trading as Aqua (NewDay) failed to carry out sufficient financial checks before it approved a credit card account for him.

What happened

Mr B says NewDay approved a credit card account for him in January 2021 with a credit limit of £900 and then increased the credit limit on two occasions, in June 2021 to £1,500 and October 2021 to £2,250. Mr B says at that time he had experienced financial difficulties and had defaulted on previous borrowings and if NewDay had completed more thorough financial checks it would have seen the borrowing was unaffordable.

Mr B wants NewDay to refund all interest and charges on the account along with 8% simple interest and to remove any adverse entries on his credit file.

NewDay says it is 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 B's application, information from credit reference agencies (CRA's) and its own affordability assessment. NewDay says at the time the credit card account was opened there were no active payday loans, reportable arrangements and its affordability assessment showed a strong net disposable income and so it was satisfied the new credit card borrowing of £900 was affordable.

NewDay says before it approved the two credit limit increases it carried out similar financial checks and this showed the new borrowing was affordable and Mr B had also maintained his account with them well.

NewDay says it is satisfied it provided the facilities to Mr B responsibly and that its affordability assessments were appropriate and proportionate.

Mr B 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 but these should be borrower focused and take into account the amount, type, cost and term of any borrowing.

The investigator says NewDay's checks using data from his application and from the CRA's showed Mr B had a strong net disposable income (NDI), no delinquent accounts and was up to date on his payments six months prior to the application. The investigator says while there was a default and CCJ recorded, these were historic and he was satisfied sufficient checks were undertaken at the time Mr B applied for his credit card account in January 2021. The investigator also felt NewDay's affordability assessment at that time showed the £900 credit

limit was affordable.

As far as the two credit limit increases were concerned, the investigator says NewDay carried out its own affordability modelling and undertook similar credit checks using CRA's data. This showed Mr B had no new defaults and he was managing his existing credit well, with no arrears or missed payments and his account with them was operating with no issues.

The investigator felt NewDay had carried out sufficient financial affordability checks and the lending decisions were fair.

Mr B 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 Mr B 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 the credit card account for Mr B in January 2021 and then increased the credit limit on that account in June 2021 and October 2021.

Mr B's complaint centres around the fact NewDay failed to carry out thorough enough financial checks before it approved the credit facilities to him, and if it had it would have seen any new borrowing would have been unaffordable.

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

The first thing to say here, as explained by the investigator, is 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.

It's also important to mention here NewDay are what is known as a second chance, low and grow lender and provide credit to consumers with a less than perfect credit score. This means NewDay look to provide an initial modest credit facility and then look to increase the facility over time, having seen the account managed within the terms of the agreement - therefore helping consumers like Mr B to build their credit standing over time.

From the information I have seen, before the initial credit card limit of £900 was agreed in January 2021, NewDay carried out credit searches using CRA's, income and expenditure assessments and referenced information contained in Mr B's application, in which he declared he had an income of circa £18,000 per annum. I can see from this data NewDay considered Mr B's financial history which showed a default dating back around two years and a CCJ 18 months earlier, but the data showed more recently his external borrowing was fairly modest and was being well managed overall. NewDay also carried out its own affordability modelling which showed Mr B had a strong NDI of around £780 per month,

indicating the borrowing was well within his means.

When the two limit increases were approved in June 2021 and October 2021 of £1,500 and £2,250, I can see NewDay referred back to the CRA's and this showed a modest increase in external borrowing and no further defaults, missed payments and his account with them had been managed well. I can also see that NewDay carried out further affordability modelling at those times which showed strong levels of NDI, sufficient to meet the new borrowing it approved.

It's reasonable to say here I wouldn't expect lenders like NewDay to undertake the same level of intensive due diligence one might expect to see for say a larger committed long term loan. So, I'm satisfied from the affordability modelling NewDay carried out, based on internal and external data sources, this was sufficient for it to conclude the new lending was affordable.

Afterall as I have said before NewDay provide credit facilities to consumers where perhaps in the past their finances may not have gone to plan and provide a second chance to rebuild their credit standing – and I'm satisfied that is what it did here after proportionate and reasonable financial checks were undertaken.

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

With that in mind I can't say NewDay acted irresponsibly here and while Mr B 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 Mr B to accept or reject my decision before 8 September 2025.

Barry White
Ombudsman