

The complaint

Mr C says NewDay Ltd trading as Aqua ('NewDay'), irresponsibly lent to him.

He says it didn't take reasonable steps to ensure he could afford the repayments towards a credit card. He says that his financial situation was poor when the card was started, and NewDay didn't do proper checks before increasing the credit limits on the card. He says it should have been obvious he couldn't repay the credit in a sustainable fashion.

Mr C's complaint has been brought by a representative and I've referred to Mr C and the representatives' comments as being from Mr C for ease of reading.

What happened

Our Investigator thought the complaint should be upheld. NewDay disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr C's complaint should not be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about a credit card that Mr C took out in November 2020. The initial credit limit was £900. This was increased to £1,900 in March 2021 and then to £3,400 in July 2021.

In August 2024, Mr C complained to NewDay saying that the card, and the credit limit increases, were irresponsibly lent.

NewDay considered this complaint, and it didn't uphold it. It thought it'd done adequate checks, which showed that Mr C could afford the lending. It was satisfied that Mr C was provided with the credit card responsibly.

Mr C didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator upheld Mr C's complaint in part. they thought the initial lending decision, and the first credit limit increase, were lent responsibly. But they thought that the second credit limit increase, the increase to £3,400 in July 2021, wasn't responsible as Mr C was unlikely to have enough left over to have been able to afford the card repayments, and his other expenses.

Mr C agreed with our Investigators opinion. NewDay didn't respond to it. Because no agreement has been reached, this matter has been passed to me to make a final decision.

What I've provisionally 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

- 1. Did NewDay complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?*
 - a. if so, did NewDay make a fair lending decision?*
 - b. if not, would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?*
- 2. Did NewDay act unfairly or unreasonably in some other way?*

And, if I determine that NewDay didn't act fairly and reasonably when considering Mr C's application, I'll also consider what I think is a fair way to put things right.

I note that Mr C indicated that he accepted our Investigators opinion that the initial lending decision and the first credit increase were not lent irresponsibly. But I have reconsidered all the lending below, and I don't think that any of it was lent irresponsibly. I'll explain why.

Did NewDay complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the lending in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

NewDay have explained that for all of the lending it asked Mr C for some information and used credit reference agency, statistical information and affordability models, to determine his likely expenditures. NewDay has provided its records of the information that it obtained when the card was applied for, and on the two occasions when the credit limit was increased.

NewDay asked Mr C what his income was, and he said that it was around £32,400 a year before tax. NewDay said that it checked this using a credit reference agency tool to determine whether this was accurate. And it used a net income figure of about £1,900 a month in the affordability assessments.

I understand NewDay estimated Mr C's expenditure from the information received from the credit reference agencies and its affordability models. It thought that Mr C had cost of living expenses of about £500 and he was paying £400 to other credit commitments, the largest of which was a personal loan to which he was paying about £340 a month.

The expenditure didn't include housing costs but Mr C has explained that these were taken directly from his wages and so he wouldn't pay these separately.

For the start of the credit card, as Mr C had a net income of about £1,900 a month he would have around £1,000 a month to repay the card. And this didn't materially change when the credit limits were increased.

NewDay checked Mr C's credit file, and this showed that he didn't have missed payments or other indicators that he was struggling with his credit. He owed around £6,300 when the card was started to other creditors. The majority of this was a personal loan. He had other credit cards, but he wasn't using the full limits of these. Again I can't see there was any material change in this.

NewDay's records show that Mr C may have had an IVA or a bankruptcy in the past. But Mr C has confirmed that this is incorrect. So, if NewDay had investigated this further, it wouldn't have affected the lending decision.

I haven't seen any further information that shows its likely NewDay was made aware of any financial problems Mr C might've been having. Or anything that would've prompted it to investigate his circumstances further. So, I think it was reasonable for NewDay to rely on the information it obtained.

I think the information that NewDay was in receipt of showed that the credit card was likely to be affordable and so I think it was reasonable for NewDay to have approved the card and the credit limit increases.

Our Investigator thought that the second credit limit increased the amount that Mr C could borrow by a significant amount. So, it would have been proportionate to have asked more questions about Mr C's income and expenditure rather than, in the main, relying on what he said about his income, the data from the credit reference agency and its affordability models to estimate his expenditures.

As above, I don't agree with this, but it is worth commenting on the information contained in Mr C's bank statements and credit file, even though I don't think further checks were needed here.

Mr C's income seemed to vary about was around £2000 to £2,100 a month at the start of the lending, which is similar to, and slightly above, the net income amount that NewDay used when it approved the card.

Mr C seemed to transfer most of his income into a joint account held with his partner. And they would pay the bills from this. I'm not going to recreate their expenditure, as I don't think it's reasonable or proportionate to do this. This is because their bank accounts show that Mr and Mrs C were living within their means when this credit was approved and there were no signs of any credit problems.

Mr C has provided an up-to-date copy of his credit report. Based on this report, while it's clear that Mr C had credit when he applied for the card with NewDay, he was maintaining all payments and there were no indications of any financial difficulties.

And lastly Mr C didn't usually borrow up to the card limit and he didn't have any problems repaying it. And he often paid more than the minimum amount. So, the way he operated the card wouldn't have given New Day any cause for concern.

I've seen no reason for NewDay not to lend here in the ways that it did, or any sign that Mr C was in financial difficulty. Overall, this was a relatively modest line of credit and Mr C had a reasonable income with no evidence of any financial difficulty either at present or in the past. I've not seen any basis to uphold this complaint.

Did NewDay act unfairly or unreasonably in some other way?

I haven't seen anything to make me think NewDay acted unfairly or unreasonably in some other way.

I've also considered whether NewDay acted unfairly or unreasonably in any other way and I have considered 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 it lent irresponsibly to Mr C or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Developments

NewDay, and Mr C, received my provisional decision. No party to the complaint made any comments about what I said in my provisional decision. As no agreement was reached, I've gone on to issue my 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.

NewDay and Mr C didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. As I said earlier, I don't think it's reasonable to say that there were signs that Mr C was in financial difficulty, and this was a modest amount of credit. I don't think it's reasonable to say the card was mis-sold, and I'm not upholding Mr C's complaint.

My final decision

For the reasons set out above, and in my provisional decision, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 August 2025.

Andy Burlinson
Ombudsman