

## **Complaint**

Mrs H has complained that NewDay Ltd ("NewDay") irresponsibly provided her with credit card accounts. She says that she should never have been provided with two credit cards or such large credit limits.

## **Background**

Mrs H had two credit card accounts with NewDay. The events detailed below happened on the following dates:

### *Fluid Card*

December 2018 – Opened with a credit limit of £1,200.00  
March 2019 – Limit increased to £3,200.00  
July 2019 – Limit increased to £5,200.00  
July 2020 – Limit increased to £5,350.00.

### *Aqua Card*

February 2020 – Opened with a credit limit of £1,200.00  
June 2020 – Limit increased to £2,000.00  
September 2020 – Limit increased to £2,650.00

When it investigated Mrs H's complaint, NewDay didn't think that it had done anything wrong when providing Mrs H with her Aqua card or increasing the credit limit on the occasions that it did. It also didn't think that anything wrong when providing the Fluid card or increasing Mrs H's credit limit on it on the first occasion.

However, NewDay accepted that it shouldn't have increased Mrs H's credit limit on the Fluid card on the second and third occasions and agreed to refund any interest associated with these increases. So NewDay partially upheld the complaint. Mrs H remained dissatisfied with NewDay's response and referred her complaint to our service.

One of our investigators looked at everything provided and she thought that NewDay had hadn't done anything wrong or treated Mrs H unfairly in relation to the Aqua card. However, she thought that NewDay should never have increased Mrs H's credit limit on the Fluid card at all. So she thought that the complaint should be partially upheld and that NewDay needed to refund all of the interest changed as a result of the first credit limit increase on the Fluid card too.

NewDay accepted the investigator's conclusions. However, Mrs H did not and asked for an ombudsman to review her complaint.

As the parties are in agreement that Mrs H should not have been provided with any of the limit increases on the Fluid card, I have not looked into this matter. Therefore, this decision is solely considering whether NewDay acted fairly and reasonably towards Mrs H when initially providing the Fluid card as well as the Aqua card and its credit limit increases.

## My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I'm satisfied that what NewDay has already agreed to do to put things right for Mrs H is fair and reasonable in all the circumstances. So I'm not requiring it to do anything more or anything further. I'll explain why in a little more detail.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

In essence, NewDay needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs H could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that NewDay should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs H's complaint.

### Fluid Card

Mrs H's Fluid card was opened in December 2018 with a credit limit of £1,200.00. Mrs H's credit card, under the regulator's rules and guidance, is also known as a revolving credit facility. As Mrs H's Fluid card was a revolving credit facility, this meant that NewDay was required to understand whether Mrs H could repay around £1,200.00 within a reasonable period of time. Not whether she could pay the entire amount in one go.

I've seen records of the information NewDay obtained from Mrs H about her income and what was on the credit search carried out. NewDay says that Mrs H declared receiving an annual salary of £27,000.00. NewDay's credit search also appears to show that Mrs H didn't

have any significant adverse information recorded against her at the time either. For example, I can't see any defaulted accounts or county court judgments recorded.

What is important to note is that a credit limit of £1,200.00 wouldn't have required an especially large monthly payment in order to clear the full amount owed within a reasonable period of time. And the information I've seen about Mrs H circumstances does suggest that she had the funds to make these payments. As this is the case, I'm satisfied that it wasn't unreasonable for NewDay to have agreed to open Mrs H's Fluid card for her.

As I've explained in the background section of this decision, NewDay subsequently increased Mrs H's Fluid credit limit on three occasions until it eventually reached £5,300.00 in July 2020. However, as NewDay has already accepted that it shouldn't have provided these credit limit increases and has agreed to compensate Mrs H in the way that I'd expect a lender to, were I to have upheld the complaint about these lending decisions, I've not looked at these limit increases.

I therefore turn to my thoughts on Mrs H's Aqua card.

### Aqua Card

NewDay has said that it carried out similar checks (to those carried out on in relation to the Fluid card) on Mrs H) when deciding whether to provide her with an Aqua card and the subsequent credit limit increases. However, while I think that this was a reasonable course of action for the initial decision on whether to provide the Fluid card, I don't think that this was reasonable for the Aqua card.

I say this because at the time of the application for the Aqua application, I have to take into account that Mrs H already had a credit limit of £5,200.00 available to her on her Fluid card. So NewDay needed to factor in the fact that Mrs H could have had outstanding balances to repay to it on both of her cards.

Given the amount Mrs H would be expected to pay to NewDay should Mrs H owe on both her credit cards, I would have expected NewDay to have immediately found out more about Mrs H's income and expenditure (particularly about her actual regular living expenses) before providing the Aqua card as well as any of the credit limit increases.

NewDay has been unable to evidence having done this in this instance. As this is the case, I don't think that the checks it carried out before it provided the Fluid credit card were reasonable and proportionate.

Nonetheless, I'm mindful that NewDay did find out more about Mrs H's circumstances and ask more questions at the time of the limit increases. As these limit increases took place, four and seven months after the card was opened, I think that Mrs H is likely to have provided similar information had she been asked for this in February 2020.

I've therefore considered whether the information gathered at the time of the limit increases on the Aqua card would likely have shown that it was fair and reasonable to provide Mrs H with the Aqua card and the associated increases.

Having done so, I'm satisfied that that the information gathered at the time of the limit increases meant that NewDay was reasonably entitled to conclude that Mrs H could repay £1,200.00, £2,000.00 and £2,650.00 within a reasonable period of time.

I say this because when what Mrs H said she was paying to her living expenses is added to reasonable repayments to her existing credit commitments and deducted from her validated income, she had enough to make the required repayments to the Aqua card and associated limit increases.

I accept that Mrs H's actual circumstances may not have been fully reflected either in the information she provided, the information NewDay obtained at the time of the lending decisions, or that her circumstances may have been worse than it appears from the information provided. I'm really sorry to hear about the difficult financial situation Mrs H's now experiencing.

But NewDay didn't know anything about any of this. And even though I think that NewDay's checks ought to have gone further – because it provided two credit cards – I also need to take into account that Mrs H has – as best as possible – been placed in the position she would be had the limit increases on the Fluid card not been provided.

I therefore need to consider whether she was able to afford the repayments to the Aqua card as well as repayments to £1,200.00 on the Fluid card. Having considered everything that Mrs H provided to NewDay in the round, I'm satisfied that proportionate checks would have shown that she could make the required repayments to her Aqua card.

So having carefully considered everything, I'm satisfied that it wasn't unfair for NewDay to have provided Mrs H with an Aqua card or any of the associated limit increases either.

In reaching this conclusion I've also considered whether the lending relationship between NewDay and Mrs H might have been unfair to Mrs H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, I'm satisfied that what NewDay has already agreed to do to put things right for Mrs H's complaint as a whole, is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything further. I'm also not persuaded that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome in respect of this.

Overall, I'm satisfied that what NewDay has already agreed to do to put things right for Mrs H is fair and reasonable in all the circumstances of her case and I'm not requiring it to do anything more or anything further.

I therefore leave it to Mrs H to decide whether she wishes to accept NewDay's further offer in respect of the limit increases on the Fluid card. I appreciate this will be very disappointing for Mrs H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

I'd also like to take this opportunity to remind NewDay of its obligation to exercise forbearance and due consideration (now that it is aware of Mrs H's current position) should it be the case that Mrs H is struggling to make her credit card payments as she is experiencing financial difficulty. I would also encourage Mrs H to get in touch with and cooperate with NewDay in order to set up a repayment plans for any amounts owing.

## **My final decision**

For the reasons I've explained, I'm satisfied that what NewDay Ltd has already agreed to do to put things right for Mrs H is fair and reasonable in all the circumstances of her case and

I'm not requiring it to do anything more or anything further. I leave it to Mrs H to decide whether she wishes to accept NewDay's further offer in respect of the Fluid card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 25 August 2025.

Jeshen Narayanan  
**Ombudsman**