

## **The complaint**

Mr W complains that NewDay Ltd lent irresponsibly when it approved two credit card applications he made and increased the credit limit on one of the accounts.

## **What happened**

Mr W applied for a Fluid credit card in January 2019. In his application, Mr W said he was employed with an annual income of £30,000 that NewDay calculated left him with £1,787 a month after deductions. NewDay applied estimates for Mr W's rent and general living expenses totalling £699 a month to the application. A credit search found Mr W had existing debts totalling £15,096 with monthly repayments of £358. No County Court Judgements, defaults or active payday loans were found on Mr W's credit file although a missed payment in the previous six months was noted. NewDay applied its lending criteria and says Mr W had an estimated disposable income of £729 a month after covering his existing outgoings. NewDay approved Mr W's application and issued a credit card with a £600 limit.

Mr W used his Fluid account and NewDay went on to increase the credit limit to £2,100 in July 2019, £2,850 in February 2020 and £4,350 in July 2020.

Mr W applied for an Aqua credit card with NewDay in February 2022. Mr W gave his income as £45,000 a year and NewDay calculated he received £2,993 a month net. An estimate for Mr W's general living expenses of £491 a month was taken into account. A credit search found no evidence of County Court Judgements or defaults. A mortgage with monthly repayments of £402 was noted and used in NewDay's affordability assessment. In addition, debts totalling around £19,000 were found in Mr W's name with monthly repayments of around £1,100. NewDay applied its lending criteria and calculated Mr W had an estimated disposable income of £991 a month after covering his existing outgoings and approved an Aqua credit card with a limit of £900.

Last year, representatives acting on Mr W's behalf complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving Mr W's applications and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr W's complaint. They thought NewDay completed reasonable and proportionate checks each time it made a lending decision and weren't persuaded it lent irresponsibly. Mr W's representatives didn't accept the investigator's view so his 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 Mr W 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 Mr W's Fluid application above. I can see that Mr W gave NewDay details of his income and that reasonable estimates for his rent and living expenses were applied to its affordability assessment. The credit search results showed Mr W had no adverse credit or defaults. I note there was a missed payment recorded in the preceding six months, but the issue was resolved and Mr W's commitments were up to date at the point of application. After taking Mr W's existing debts and regular outgoings into account, NewDay calculated he had an estimated disposable income of £729 a month which was sufficient to sustainably cover repayments to a new credit card with a limit of £600. In my view, the level and nature of the checks NewDay completed were reasonable and proportionate to the £600 Fluid credit card it went on to approve. And I'm satisfied the decision to approve Mr W's Fluid application was reasonable based on the information NewDay obtained. I haven't been persuaded NewDay lent irresponsibly when it approved Mr W's Fluid application.

I've looked at the credit limit increased NewDay approved on Mr W's Fluid credit card. I can see that before each credit limit increase NewDay looked at Mr W's account history and credit file. Mr W's credit file shows his other debts remained at a consistent level between the first and third credit limit increases. I note a missed payment was recorded on Mr W's credit file in the six months before the second credit limit increase. But the issue was resolved by Mr W and there were no active arrears recorded in the months before. In addition, I can see that Mr W's Fluid account incurred an overlimit fee around three months before the second credit limit increase but was up to date and resolved at the point it was approved.

Before each credit limit increase, NewDay also checked Mr W's income via a service provided by the credit reference agency and carried out new affordability assessments. Each affordability assessment showed Mr W had a reasonable disposable income of between £1,136 and £1,718 a month. I'm satisfied that would've been sufficient to sustainably cover repayments to the increased credit limits. Overall, I'm satisfied that the level of checks NewDay completed before increasing the Fluid credit limits were reasonable and proportionate. And I'm satisfied the decision to increase the credit limit was reasonable having considered the information NewDay obtained each time. I'm sorry to disappoint Mr W but I haven't been persuaded that NewDay lent irresponsibly when it increased the Fluid credit limit in stages to £4,350.

Mr W completed a new application for his Aqua credit card in February 2022. Mr W gave a higher income figure of £45,000 and a new set of affordability checks and a credit check were completed. The credit check identified Mr W had taken out a mortgage since the most recent Fluid credit limit increase. I note that our investigator forwarded some of the lending check data to Mr W's representatives that showed a "1" in the *worst mortgage status in last 6*

*months* column. But in this case, the use of the “1” denotes a positive response in terms of whether Mr W had a mortgage, not that he’d missed a payment in the preceding six months. I accept that is somewhat confusing, but this is a point that the Financial Ombudsman Service has specifically checked with NewDay. I’m satisfied that the information on file shows NewDay found Mr W had a mortgage that was up to date when he completed his Aqua application in February 2022.

No other recent missed payments were picked up on the credit search NewDay completed in February 2022 and Mr W’s existing repayments of £1,108 were factored into the lending assessment. I can also see that NewDay applied an estimate for Mr W’s regular living expenses to the application when completing its affordability assessment in addition to his mortgage costs. Ultimately, NewDay reached the view that Mr W had an estimated disposable income of £991 and I’m satisfied that was sufficient to cover repayments to an Aqua credit card with a limit of £900.

In my view, the level and nature of NewDay’s lending checks were proportionate to the £900 Aqua credit card it went on to approve. And I’m satisfied that NewDay’s decision to approve Mr W’s Aqua application was reasonable based on the information NewDay obtained. As I’m satisfied NewDay’s checks were reasonable and it acted fairly when approving Mr W’s Aqua application, I haven’t been persuaded it lent irresponsibly so am unable to uphold his complaint.

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, for the reasons I’ve already given, I don’t think NewDay lent irresponsibly to Mr W or otherwise treated him unfairly. I haven’t seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I don’t uphold Mr W’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 27 August 2025.

Marco Manente  
**Ombudsman**