

The complaint

Miss W complains NewDay Ltd trading as AO Finance failed to carry out sufficient checks before giving her a credit card.

What happened

Miss W complains NewDay lent to her irresponsibly when they gave her a credit card in April 2022, with a £700 credit limit.

NewDay looked into her concerns and issued their final response. They explained they were satisfied their checks showed the credit card was affordable, so they didn't uphold her complaint. Miss W remained unhappy, so she brought her complaint to our service.

Our Investigator didn't think Miss W's complaint should be upheld. She explained NewDay's checks showed she had a healthy disposable income, and no negative markers were found from their credit checks. She noted that Miss W had sent us a copy of her credit file that showed she had external credit at the time of the application. However, our Investigator felt that even if NewDay had been aware of this, Miss W's likely repayments towards those accounts wouldn't have caused the credit card to no longer be affordable.

Miss W disagreed with our Investigator and questioned how she had calculated what her likely repayments to her other credit accounts would have been (although she didn't evidence what they were). Our Investigator set out how she'd estimated the repayments and explained she wasn't persuaded to change her mind.

As Miss W still maintained NewDay lent to her irresponsibly, her complaint was passed to me for a decision.

I issued my provisional decision on 11 July 2025. I explained I didn't think it was fair and reasonable to base my findings on Miss W's credit report that was generated during the complaints process. That's because there wasn't evidence to suggest NewDay was aware of the data now being reported when they considered her application for a credit card. And given the information they were able to review at the time, I didn't think NewDay had lent to Miss W unfairly.

Both parties had until 25 July 2025 to provide further comments and/or evidence for me to consider. However, as neither party responded, my decision has remained the same.

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 considered everything, I'm not upholding Miss W's complaint. I'll explain my reasoning below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. This is something NewDay is familiar with, and I've used this approach to help me decide Miss W's complaint.

NewDay needed to make sure they didn't lend irresponsibly. In practice, this means they needed to carry out reasonable and proportionate checks so they could understand whether Miss W could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The checks needed to be borrower focused – meaning NewDay had to consider if repaying the credit sustainably and within a reasonable period of time would cause difficulties or adverse consequences for Miss W. It wasn't enough for NewDay to consider the likelihood of getting their funds back – they had to consider the impact of the repayments on Miss W.

Checks also needed to be proportionate to the specific circumstances of the lending. There isn't a specific list of what constitutes proportionate affordability checks – rather it will depend on several factors, but not limited to, the particular circumstances of the consumer, and the amount/type/cost of credit they were seeking. And generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information they gather and what they do to verify it – in the early stages of a lending relationship. So, I've kept all this in mind when thinking about whether NewDay did what they needed to before lending to Miss W.

NewDay has provided evidence of the information provided by Miss W in her application and that gathered from their credit checks. Miss W declared she had an annual income of £26,000, which worked out to around £1,850 a month. And their checks estimated her living costs to be £559.20 and housing costs at £477.32. Their checks didn't bring up any information about external credit accounts, so Miss W's disposable income was calculated to be around £780. As the credit limit was modest at £700, I don't consider it was unreasonable for NewDay to estimate Miss W's housing and living costs given her declared income. So, I agree these checks suggested the credit card would be affordable for Miss W.

While I'm satisfied the checks indicated the credit card was affordable, NewDay also needed to ensure further borrowing would be sustainable. NewDay's checks showed Miss W hadn't been declared bankrupt, had no County Court Judgments, defaults, or missed payments. So, there was nothing to suggest Miss W was in financial difficulties or reliant on credit. In turn, I don't think the evidence they gathered would have given NewDay any indication that approving the credit card might cause Miss W harm.

As part of Miss W's submissions, she provided us with a copy of her credit report that was created in September 2023. This showed that at the time she applied for the credit card, Miss W had external debt that totalled over £10,000. She's argued that had NewDay considered this they ought to have known it wouldn't have been responsible for them to lend.

Our Investigator's findings considered the information in the credit report provided by Miss W. She explained what she thought this meant regarding Miss W's debt-to-income ratio and what her repayments were likely to have been for her external credit accounts. However, I don't think it would be fair or reasonable for me to make such a finding as I have to base my decision on the information NewDay had access to in 2022 when they were considering Miss W's application.

We don't know why Miss W's other credit accounts didn't pull through in NewDay's credit checks. But as they didn't, I can't now say their checks weren't reasonable and proportionate based on evidence that was generated 18 months later. In turn, the content of this credit report isn't something I think I can fairly rely on when determining how this case should be

resolved. So, my findings are solely based on the information NewDay had access to in April 2022.

As mentioned above, the results of NewDay's checks showed Miss W had sufficient disposable income to afford the credit card. They also didn't indicate she was in financial difficulties or becoming reliant on credit. As such, I'm satisfied their checks were reasonable and proportionate. Because of this, I'm persuaded NewDay acted fairly when they approved Miss W's application for a credit card.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Miss W or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I know this isn't the outcome Miss W hoped for. But for the reasons above, I'm not asking NewDay to do anything to put things right.

My final decision

My final decision is that I'm not upholding Miss W's complaint about NewDay Ltd trading as AO Finance.

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

Sarrah Turay
Ombudsman