

The complaint

Miss M complains NewDay Ltd trading as Aqua (NewDay) irresponsibly provided her with a credit card because it didn't complete reasonable and proportionate checks to ensure the lending was affordable for her.

What happened

Miss M took out a credit card with NewDay in May 2019 with an initial limit of £1,200. The limit was increased on the following occasions:

- to £2,950 in September 2019;
- to £4,450 in January 2020;
- to £4,500 in November 2020;
- to £6,000 in May 2021; and
- to £7,500 in September 2021.

Miss M complained to NewDay about the lending decisions. NewDay responded to the complaint on 3 February 2025 and explained why it felt the lending had been responsible as it seemed from the checks that it carried out to have been affordable for Miss M. Miss M remained unhappy and asked our service to look into things.

On 5 March 2026, I issued a provisional decision. I said:

Our approach to complaints about irresponsible and unaffordable lending is set out on our website. There are key questions I need to consider in order to decide what's fair and reasonable. This includes:

1. Did NewDay carry out reasonable and proportionate checks to satisfy itself Miss M was in a position to sustainably repay the credit?

- *If so, did it make a fair lending decision?*
- *If not, what would reasonable and proportionate checks have shown?*

2. Did NewDay act unfairly or unreasonably towards Miss M in some other way?

It's not about NewDay assessing the likelihood of being repaid, but it had to consider the impacts of the repayment on her. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower. I'm mindful this account was a type of running account credit. This means NewDay needed to consider whether Miss M would be able to sustainably afford to repay the total credit being made available within a reasonable period.

Account opening – May 2019 - £1,200

The opening limit of £1,200 was provided in May 2019. As part of its submissions, NewDay confirmed it used various sources, including internal and external affordability checks, data from credit reference agencies (CRA) and the consumer's declared costs to calculate affordability before deciding whether to lend.

With this in mind, NewDay recorded Miss M's gross annual salary as £17,995. NewDay then considered Miss M's expenditure, including credit commitments, living costs and housing costs. After doing so, it calculated that Miss M had an Effective Disposable Income ("EDI") of around £387.31. In respect of Miss M's existing credit commitments, it showed she was up to date and had been maintaining her repayments leading up to the increase. Additionally, it had been 20 months since she had a defaulted account. It also considered her overall credit balance in relation to her income.

I'm mindful of the credit limit being provided here and overall, I'm satisfied NewDay had sufficient information to make a fair lending decision. Having thought about what those checks showed, I'm satisfied NewDay made a fair lending decision as it seemed from the EDI that Miss M would be able to make sustainable repayments to repay the credit being offered within a reasonable period. There wasn't anything in the information obtained which suggested it might otherwise be irresponsible to lend to her.

CLI 1 - £2,950 – September 2019

NewDay significantly increased the credit limit to £2,950 in September 2019. I can see it completed a credit search and assessed Miss M's likelihood of being able to afford the increase. There wasn't any recent adverse information in the search it completed such as missed payments or arrears within the last six months. Additionally, it had information about how Miss M had managed her existing credit limit including her usage and repayment history. She had significantly paid over the minimum and the amount she had repaid went some way to showing she could afford a higher limit.

However, I've thought about the overall circumstances, and I don't think the checks carried out were reasonable and proportionate here. This was a significant limit increase and Miss M had a relatively low income. So, I think it ought to have obtained some further information about her essential spend. I do appreciate a significant amount of time hadn't passed since the initial application, but I remain of the view it ought to have asked some further questions.

Therefore, I've considered Miss M's statements from the time of the lending. I want to be clear that I'm not saying NewDay needed to go as far as to obtain the statements in order to have completed reasonable and proportionate checks. Nevertheless, the information within the statements does give me an indication of what was likely to have been discovered had NewDay sought further information.

Having done so, I'm satisfied it's more likely than not that reasonable and proportionate checks were likely to have demonstrated Miss M could sustainably afford the increase. I say this because she seemed to have sufficient income to meet her existing commitments and afford a reasonable repayment amount towards the higher credit limit. She would be left with sufficient disposable income to cover any reasonably foreseeable expenses.

CLI 2 - £4,450 – January 2020

I've considered the checks carried out by NewDay and I can see it assessed the likelihood of the increase being affordable for Miss M. It did this by considering application data, household make up, existing credit commitments and housing costs. It determined that the credit limit increase was likely to be affordable for Miss M. However, I'm mindful it was unable to verify income via current account turnover.

I've also considered how Miss M had been managing her account with NewDay. There were no late charges or missed payments and Miss M had paid over the minimum required. However, I am mindful NewDay weren't able to verify Miss M's income at the time. Additionally, her external credit balances had increased. So, I think it ought to have done more checks to ensure the lending was affordable.

Again, I've considered Miss M's statements from the period leading up to the lending decision. I don't think NewDay needed to go as far as to obtain the statements in the circumstances. Nevertheless, the information within the statements does give me an indication of what was likely to have been discovered had NewDay sought further information about her financial circumstances including her income and expenditure.

I appreciate a proportion of Miss M's income came from a student loan. She has said this should not be used to repay credit. I have thought about what she has said here but I am satisfied it is reasonable to include the student loan payments in an affordability assessment. This is because it was intended for Miss M to use towards her expenditure at the time and she would not need to repay it immediately.

Having reviewed her overall income, her credit commitments and her essential expenditure, I'm satisfied it was likely reasonable and proportionate checks would have shown the lending was affordable and sustainable for her. I don't think there was anything in the information NewDay had about how she was managing her existing credit to indicate the lending might otherwise be irresponsible. Therefore, I can't conclude NewDay shouldn't have increased the limit on this occasion.

CLI 3 - £4,500 – November 2020

At this point, NewDay only increased the credit limit by £50. Miss M had previously managed her account well. However, in July 2020 she requested a payment freeze. At this time, lenders were offering additional forbearance measures in light of the Covid-19 pandemic. When Miss M's payment freeze ended in October 2020, her balance was slightly over the limit.

I've reviewed a copy of the letter dated 22 October 2020. This confirmed: "We appreciate this is a difficult period for our customers. We are able to increase your credit limit in order to avoid any future overlimit fees being charged and reporting overlimit balances to Credit Reference Agencies." In light of the information I have, I think this credit limit increase was reasonable because it was done to support Miss M at the time.

CLI 4 - £6,000 – May 2021

For the increase in May 2021, NewDay completed a credit search and assessed Miss M's EDI as being around £749 which it felt was sufficient to be able to afford the increase. It also had information about how she had managed her account. There were no late payments or arrears, and she had been making repayments towards the credit.

Having reviewed the information obtained by NewDay, I don't agree it completed reasonable and proportionate checks. I say this because it used current account turnover data to establish Miss M's income. However, I think it ought to have asked her for some specific details given it had previously been unable to verify it and it had been some time since it had asked her for specific information. Additionally, I think it ought to have asked about her specific essential spend. Without this information, I can't say NewDay did enough to satisfy itself Miss M would be able to afford the increase.

Again, I've reviewed statements from the period leading up to the lending decision to consider what NewDay were likely to have discovered about Miss M's income and expenditure at the time. Having done so, I think proportionate checks were likely to have shown Miss M had sufficient income to meet her existing commitments and to sustainably afford the credit limit increase. I appreciate this is a significant amount of credit and Miss M had a relatively low income (partly made up of student loan payments). However, her committed expenditure was also low at the time. So, I think overall it was reasonable for NewDay to increase the limit on this occasion.

CLI 5 - £7,500 – September 2021

NewDay completed a credit search and assessed Miss M's EDI as £770. It also had information about how Miss M had managed her account. Again, I don't agree the checks were reasonable and proportionate in the circumstances. I think it ought to have asked Miss M for more information about her financial circumstances including her income and essential spend before increasing the credit limit to ensure she could sustainably make repayments. I've thought about the size of the credit limit increase and the overall circumstances here.

In order to consider what NewDay might have found out about Miss M's essential spend, I've again considered the bank statements she's provided. Even though this was a higher limit, I don't think NewDay needed to go as far as to obtain bank statements in order to complete reasonable and proportionate checks.

Having considered the income and expenditure information on the statements, I'm not satisfied NewDay were likely to have discovered Miss M had sufficient disposable income to be able to sustainably repay the credit limit being provided here. Her income was low at the time, and I don't think she had enough to be able to afford the increase. Therefore, I don't think NewDay should have increased her limit to £7,500 in September 2021 and I've explained how NewDay should put things right below.

Did NewDay treat Miss M unfairly or unreasonably in some other way?

Miss M has confirmed she requested a payment holiday in November 2021, December 2022 and January 2024. This was prior to the proposed increase in April 2024. I acknowledge NewDay wrote to Miss M about increasing her limit to £8,000. However, she called prior to the increase and confirmed she didn't intend to use the account and to close it down. Her April 2024 statement confirmed her overall balance was zero. Therefore, it doesn't seem she accepted this credit limit increase or utilised it so there hasn't been any detriment.

I can also see NewDay decreased Miss M's credit limit to £7,200. I haven't seen any reason to say NewDay ought to have known to provide further support or forbearance to Miss M based on how she was managing the account. It seems to have reasonably provided payment holidays when requested.

Miss M also said she had five pay day loans. I've already set out above why I think the lending decisions seem to have been reasonable. However, NewDay's checks took into account her non-revolving credit. I also note these loans weren't recorded as pay day loans and this might be because of the term of the repayments. Overall, I've seen no other reasons why NewDay ought to have known not to lend to Miss M (with the exception of the CLI 5).

Miss M has also explained she is vulnerable and has described her personal circumstances. I can appreciate why this meant managing credit was more difficult for Miss M and I understand why she wouldn't have turned down access to additional credit. However, it doesn't seem NewDay ought to have been aware of this from the information it had. Whilst I appreciate what Miss M has said and I have no doubt she was having difficulty managing her credit, I can't say NewDay ought reasonably to have done anything differently here.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Both parties have now responded to the provisional decision, so I have proceeded with a final decision on the matter.

NewDay accepted my provisional decision. However, Miss M didn't. She felt it should be upheld from CLI4 when NewDay increased the limit to £6,000. She said my provisional decision already accepted NewDay didn't have sufficient information when it increased the limit and so she also feels NewDay's decision to increase her limit to £6,000 should be treated as irresponsible.

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 see no reason to depart from the conclusion I reached in my provisional decision. This is for largely the same reasons I set out therein and which I've included above. However, I do appreciate Miss M doesn't agree with what I set out regarding CLI4 (the credit limit increase in May 2021 to £6,000). I have reviewed her response and why she doesn't agree and I've carefully considered what she has set out here. In light of this, I wanted to provide some further clarity.

As explained in my provisional decision, I do recognise CLI4 was a significant increase, and more checks ought to have been carried out in the circumstances. Miss M had a fairly low income at the time, and a fairly high amount of credit was being provided to her. I have considered everything she has said, and I appreciate I have not repeated all the points Miss M has made about why the checks weren't proportionate. This is because I do agree in so far that I don't think NewDay had sufficient information to satisfy itself Miss M was in a position to affordably and sustainably repay the credit.

However, it's important for me to explain this does not automatically mean I can conclude the lending decision was irresponsible and unaffordable. I must go on to consider what reasonable and proportionate checks were likely to have shown at the time. As previously explained, this is why I have reviewed the bank statements as the information reasonably indicates what was likely to have been discovered by NewDay had it done what it ought to.

I'm satisfied this is in line with our approach as set out in my provisional decision and which is also on our website.

Having reviewed the bank statements, I'm satisfied reasonable and proportionate checks were likely to have shown the lending was affordable. I won't repeat my reasons in detail here as they are included above. However, I'd note Miss M did have a lower income, but she also didn't have a high amount of committed expenditure. Therefore, it seems she'd be able to afford reasonable repayments towards the credit being made available here.

For these reasons, I remain satisfied the conclusion I reached in my provisional decision is fair and reasonable in all the circumstances of the complaint. I appreciate Miss M will be disappointed by my decision and she strongly feels CLI4 was irresponsible. However, having reviewed the evidence I am only able to conclude NewDay unfairly increased the limit to £7,500 in September 2021 (CLI5).

Putting things right

NewDay shouldn't have increased Miss M's credit limit above £6,000, so it's not fair for it to charge any interest or charges on any balances which exceeded that limit from the date it was increased. However, Miss M has had the benefit of all the money she spent on the account so she should pay this back.

Therefore, NewDay Ltd trading as Aqua should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £6,000 after the credit limit was increased in September 2021.
- If the rework results in a credit balance, this should be refunded to Miss M along with 8% simple yearly interest* calculated from the date of each overpayment to the date of settlement.
- Or, if after the rework the outstanding balance still exceeds £6,000, it should arrange for an affordable repayment plan with Miss M for the remaining amount.
- Once the outstanding balance has been cleared, any adverse information recorded from when the credit limit was increased in September 2021 in relation to the account should be removed from her credit file.

*If NewDay considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss M how much it's taken off. It should also give Miss M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons outlined above, I'm partly upholding this complaint and NewDay Ltd trading as Aqua should put things right in the way directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 16 April 2026.

Laura Dean
Ombudsman

