

The complaint

Mr T complains that NewDay Ltd trading as Aqua (NewDay) acted irresponsibly in opening a credit card account and to subsequent credit limit increases.

What happened

Around August 2021 Mr T applied for a revolving credit facility (credit card) with NewDay. His application was successful with NewDay issuing him with a credit card that had a credit limit of £900. In January 2022 the credit limit was increased by £150 to £1,050. And in May 22 a further credit limit increase was applied, £1,500 to £2,550. Mr T said he struggled to sustain the repayments. He said had NewDay properly checked they would have seen he wasn't able to sustain the repayments. And that he'd quickly utilised his credit limit after each increased credit limit was applied, while he was only able to make the minimum amount required. Mr T complained to NewDay.

NewDay said their checks had been reasonable and proportionate. They said they used Mr T's application data as well as credit reference agency (CRA) and statistical data to check his credit worthiness. And based on these checks they said their lending decision(s) were fair as Mr T should have had sufficient disposable income to sustain the repayments.

Mr T wasn't happy with NewDay's response and referred his complaint to us.

Our investigator found that for the type and amount being lent NewDay's checks were reasonable and proportionate. And based on these they'd made a fair lending decision.

Mr T didn't agree he said NewDay shouldn't have applied the credit limits they did as it was evident he was struggling to sustain the repayments. And if they'd properly checked they would have seen he didn't have sufficient disposable income. He asked for an ombudsman to decide.

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.

I appreciate Mr T will be disappointed by my decision but having done so I'm not upholding his complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before NewDay offered the credit card account they needed to complete reasonable and proportionate checks to be satisfied Mr T would be able to repay the debt in a sustainable way. In deciding what was proportionate NewDay needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Mr T was provided with a revolving credit facility rather than a loan. NewDay was approving a credit limit of £900. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. So, I think NewDay could have reasonably assumed Mr T would need to be able to pay around £45 each month to clear the full amount owed within a reasonable period.

While there isn't a set list of checks a lender must do, CONC says they should take reasonable steps to estimate a consumer's income and non-discretionary expenditure. CONC says a lender generally shouldn't solely rely on the income declared by a consumer but seek validation through an independent source (such as a CRA) or third party. CONC also allows for the use of statistical data in estimating a consumer's non-discretionary expenditure. I've looked at the checks NewDay did and what these showed.

Mr T declared he'd an annual income of £30,000, NewDay cross checked this through a Current Account Turn Over (CATO) check with a CRA. They also checked Mr T's credit history with the CRA as well as using his declared costs and statistical modelling. From these checks they assessed Mr T to have a monthly income of £2,093.30, monthly credit commitments of £255.40, and day to day livings costs of £454.23. Mr T debt to income ratio was seen to be 13.88%. Based on these checks NewDay considered Mr T should have had £1,383.67 in disposable income before factoring in the new lending.

A lender should also consider whether a consumer shows signs of financial vulnerability. NewDay's CRA check showed Mr T was managing his active credit commitments. But had a default registered 13 months prior to the new lending.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. Here, NewDay considered the information that Mr T had on his credit file and made the decision to lend which, in the circumstances, I think was reasonable. I say this as it wouldn't be fair for a consumer to be unable to get credit because of previous struggles when there is evidence that their financial situation has improved. Here Mr T's indebtedness was low, he was managing his active accounts well, he'd a regular income with no signs of current financial problems. And his default could be considered to be historic.

So, I'm satisfied the checks NewDay did were reasonable and proportionate for the type and amount being borrowed. I don't think that there was anything immediately obvious in the information that NewDay had, including Mr T's existing credit, which meant they shouldn't rely on it. So, I don't think NewDay needed to have asked Mr T to provide further evidence in support of his expenditure such as bank statements, before providing him with a credit limit in this instance. And based on these checks Mr T should have had sufficient disposable income to sustain his repayments.

NewDay's business model is to provide a relatively low initial credit limit with regular reviews and credit assessments to determine whether further lending is affordable. In January 2022 NewDay increased Mr T's credit limit by £150 (a relatively small amount) – assuming the full amount was drawn down NewDay would need to assess whether Mr T could sustain an additional monthly amount of around £8.

NewDay has shown they assessed Mr T's affordability again using CRA and statistical data. As Mr T was now a customer of NewDay they also had the data as to how Mr T was managing his credit card account. I'm satisfied the checks NewDay did were reasonable and proportionate. And these showed Mr T's monthly income (CATO check) was around £2,320,

his credit commitments were £350, rent £350 and his cost of living £648. Which should have left Mr T with a disposable income before factoring in the new lending of £972.

Mr T said he was utilising the full amount of his credit limit and only making minimum repayments. I've looked at NewDay's records. While I can see Mr T was fully utilising the £900 credit limit, with an over the limit charge being applied. I haven't seen any evidence of missed payments, or use of cash advances. I can also see that Mr T for the months prior to the credit limit increase paid more than the minimum required. So, I'm satisfied NewDay's checks were reasonable and proportionate, I haven't seen any evidence to support Mr T being unable to sustain an additional £8 each month. And the relatively small credit limit increase allowed Mr T to fall below his credit limit preventing any further charges.

NewDay increased Mr T's credit limit around May 2022 by a further £1,500, assuming Mr T drew down the full amount he'd need to be able to repay an additional £75 a month. While the increase was substantial as NewDay did the same checks as before, I'm satisfied their checks were reasonable and proportionate as they'd validated Mr T's income and taken reasonable steps to estimate his non-discretionary spending. From internal data Mr T was managing his credit card, the CRA checks showed Mr T was maintaining his active accounts, and his other external credit commitments hadn't increased. No adverse information had been registered to Mr T's credit file other than the already noted default, now some two years prior to the lending. So, I don't think NewDay needed to have asked Mr T to provide further evidence in support of his expenditure such as bank statements, before providing him with the increased credit limit.

NewDay assessed Mr T's income (CATO check) to be £2,172, rent £350, credit commitments £336 and day to day living costs of £633. NewDay considered Mr T would have around £853 in disposable income before factoring in the new lending.

NewDay's records show Mr T quickly utilised the previous credit limit, but I can also see Mr T paid more than the minimum required each month. There isn't any evidence of missed payments, further over the limit fees or use of cash advances. While the credit limit increase was applied within a few months of the previous credit limit increase, I'm satisfied the checks NewDay did were reasonable and proportionate for the type and amount of credit they were providing. And I don't think that there was anything immediately obvious in the information that they had which meant they shouldn't rely on it. So, I don't think NewDay needed to have asked Mr T to provide further evidence in support of his expenditure before providing further credit. And based on these checks I haven't seen any evidence to show Mr T wouldn't be able to sustain the additional credit commitment.

I note Mr T's comment about his overdraft but as I don't think NewDay needed to ask Mr T to provide further information such as his bank statements. And the checks they did showed Mr T's external credit was being managed well. I can't say NewDay has acted unfairly.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr T has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr T or otherwise treated him 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.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or

reject my decision before 5 December 2025.

Anne Scarr
Ombudsman