

## **The complaint**

Miss H complains that NewDay Ltd trading as Aqua (NewDay) irresponsibly provided her with credit on several occasions, which she could not afford to repay.

## **What happened**

In February 2020, Miss H applied for a credit card with NewDay. She was given an initial credit limit of £450. This limit was increased to £1,450 in December 2020, increased again in March 2021 to £2,700 and a final limit increase to £3,950 in July 2021.

Miss H complained to NewDay to say that it shouldn't have given her the borrowing. She said that had NewDay completed appropriate affordability checks it would have seen that the credit was unaffordable for her.

NewDay didn't uphold the complaint. It said that it had carried out appropriate checks which showed that Miss H could afford the various credit limits it had provided her with.

Our investigator didn't recommend that the complaint should be upheld. They thought NewDay made fair lending decisions at each point that it offered Miss H with credit.

Miss H didn't agree, mainly because she says the income figures used to estimate her affordability were incorrect. She said that the borrowing had a serious impact on her mental health. So the complaint has been passed to me for a final 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 each lending decision, NewDay was required to complete proportionate checks to ensure the credit it was proposing to provide was affordable. There isn't a set list of checks a lender needs to complete in each and every case. Instead, NewDay needed to ensure it did enough based on the specific circumstances of that lending decision. The things NewDay needed to consider when deciding what was proportionate included (but wasn't limited to): the type and amount of credit, the size and frequency of the repayments, the cost of the borrowing and Miss H's circumstances.

### Account opening

At the time of the credit card application, Miss H declared that she had an annual income of around £20,500. NewDay calculated Miss H's monthly net income to be around £1,340. NewDay's checks showed that Miss H had unsecured borrowing, for which she was making monthly repayments of approximately £133. NewDay used statistical data to estimate Miss H's monthly housing costs and living expenses. According to NewDay's calculations, this left Miss H with a disposable monthly income of around £580.

I think that the checks NewDay completed at the time of the application were proportionate to the size of the credit limit being applied of £450. The checks showed that Miss H could comfortably and sustainably afford payments towards the new credit commitment and leave a reasonable buffer of funds for emergency and unplanned spending.

The checks also showed that there was an entry on the credit file of a defaulted account, however this entry happened around 47 months ago and there had been no signs of any financial struggle since. I don't think NewDay would've been concerned by the default, as such a long period of time has gone by where Miss H has demonstrated that she could manage her credit commitments well and it was no longer reflective of her current circumstances. Because of this, I don't think there was any need for NewDay to complete further checks at that time.

I think that the decision to open the account with a credit limit of £450 was fair given Miss H's circumstances. I think it's reasonable that NewDay thought she could sustainably afford to make the repayments with the disposable income it had calculated.

As I think NewDay made a fair lending decision in relation to the account opening, I've gone on to consider the subsequent credit limit increases.

#### Credit limit increases

I've seen a summary of the credit checks completed at the time of each credit limit increase, along with a summary of how the account was managed by Miss H. NewDay also appears to have checked what her income was likely to be (using information from a credit reference agency) and used statistical data to estimate her essential expenditure.

I can see that Miss H managed this account well throughout the period of all credit limit increases. She made all her payments on time and did not spend over the limit available to her. I can see from all the credit checks completed that Miss H also managed her debts well with other providers. There were no adverse entries or signs of financial struggle. Because of this, I think NewDay would've had no concerns about how Miss H manages her borrowing and it would've been confident up to the final lending decision that Miss H wasn't in any financial difficulties

At the point of every credit limit increase, NewDay calculated that Miss H had ample monthly disposable income of over £2,000. I think that this was a significant amount of disposable income to afford the increases to Miss H's borrowing of up to a credit limit of £3,950. It's reasonable that NewDay thought she had more than enough funds to make the necessary repayments towards this account and a substantial buffer of funds for emergency and unplanned spending.

Because all credit reference agency checks and affordability calculations conducted by NewDay showed that Miss H was in a good financial position and managed her accounts well, I think the checks conducted at each credit limit increase were proportionate to an increase in borrowing of up to £3,950.

As explained above, there was no indication from this credit card account to show that Miss H was struggling financially at the point any of these lending decisions were made. Miss H says that she was frequently missing repayments, or only paying minimum payments towards this account. However, this is not reflected in the evidence I have seen. The evidence shows that she always made her payments on time, of at least the minimum and sometimes substantially more. Nevertheless, making minimum payments isn't necessarily a sign of financial difficulties because consumers often chose to only pay the minimum towards their borrowing, even when they have more funds available. I don't think NewDay

would've been concerned about the times where Miss H was only making minimum payments, since the checks it completed didn't show any signs of financial struggle.

I have also considered the existing borrowing that Miss H had at the time of each credit limit increase. Throughout the lending relationship Miss H's debts had grown and by the time of the final increase, Miss H owed around £5,200 in total unsecured borrowing. Miss H says NewDay should've known that this was too much debt for her to afford the credit it provided. She also says that she was in her overdraft with another provider. Whilst I accept that Miss H's total borrowing had increased, I think NewDay made fair lending decisions at every credit limit increase. I say this because as explained above, NewDay accounted for Miss H's existing borrowing when calculating her disposable income and assessing whether the credit increases were affordable to her.

Miss H says she was utilising most of her available revolving credit. Miss H says based on this, NewDay should've known the credit it provided would be unaffordable to her. However, I think Miss H was free to use the credit she had available to her. I don't think this on its own would've highlighted to NewDay any concerns that Miss H was struggling. This is because Miss H always made her payments on time and had a good history of account management, without any signs of financial struggle and she had a relatively low total amount of unsecured credit when compared to the income NewDay could see from its checks.

Miss H says that the income figures NewDay used were inaccurate. She says that her employment income is nowhere near the estimated income that NewDay has used to assess her affordability and this has led to inflated disposable income figures. She says that NewDay's checks of her income were not adequate under the regulator's rules as it did nothing to verify what she earned. I'm satisfied the checks NewDay completed were reasonable and proportionate in the specific circumstances of this case. The rules entitle NewDay (where appropriate) to estimate income when assessing affordability in the manner that it did. It used data from credit reference agencies which assessed the level of income Miss H was regularly receiving into her current account. I haven't seen anything to make me think NewDay ought to have been concerned about what information it gathered when completing these checks and therefore I don't think it needed to do more before lending to Miss H.

I am sorry to hear about Miss H's mental health and that this affected her spending. However, I haven't seen anything to suggest NewDay could've known about this at any point that the lending decisions were made. It wouldn't be fair for me to make a finding that it should've known and done anything differently, without Miss H declaring these circumstances.

So, I've not seen anything to persuade me that NewDay made unfair lending decisions in relation to the account opening or any of the subsequent limit increases.

In reaching my conclusions, I've also considered whether the lending relationship between Miss H and NewDay might have been unfair to Miss H under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that NewDay did not lend irresponsibly when providing Miss H with the credit card and the subsequent credit limit increases, or otherwise treat her unfairly in relation to this matter. And I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

While it'll likely come as a disappointment to Miss H, I won't be upholding her complaint against NewDay Ltd trading as Aqua (NewDay) for the reasons explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 19 January 2026.

Jenny Hiltunen  
**Ombudsman**