

The complaint

Ms C complains that NewDay Ltd (NewDay) acted irresponsibly when they agreed to lend to her and in increasing her credit limit.

What happened

In September 2013, Ms C successfully applied for an Aqua credit card with NewDay with a credit limit of £250. Ms C had a number of credit limit increases on this account:

- June 2017 – to £400,
- April 2018 – to £1,200,
- May 2019 – to £2,700,
- June 2021 – to £4,700,
- October 2021 – to £6,700.

Ms C also successfully applied for a Marbles credit card with NewDay in March 2022 with a credit limit of £1,200. There were no credit limit increases on this account.

Ms C complains that the lending from NewDay was unaffordable. She thinks the checks they carried out were insufficient and didn't reflect her actual situation, where she was struggling financially and was particularly vulnerable as a single mother. She thinks her financial distress ought to have been visible from her repayment and wider credit commitment history. She later required breathing space periods and a debt management plan. She says the lending impacted her credit file, financial stability and caused emotional distress and anxiety.

NewDay reviewed the complaint but didn't uphold it. In summary, they said that they thought the checks carried out were proportionate and revealed that all limit increases were likely to be affordable.

Ms C wasn't happy with NewDay's response and referred her complaint to us. Our investigator found that proportionate checks were carried out for some of the lending which showed it was affordable. Whilst they thought checks could've gone further in other instances, they thought these would have also revealed the lending was affordable.

NewDay didn't dispute this position, but Ms C did. In summary, she thought the checks were not borrower focused, with heavy reliance on estimates and Credit Reference Agency (CRA) data without verification. She thought too much weight was put on maintaining payments, although she was borrowing to do this. She couldn't access some current account statements to evidence her income and expenditure. Ultimately, Ms C asked for an ombudsman to decide on the matter. So, the case has been passed to me 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.

While Ms C has provided detailed evidence of her complaint, and whilst I've considered all

the available information, I've not reflected every point that has been raised. No discourtesy is intended here, this is merely to reflect my informal role in deciding a fair and reasonable outcome. So, I've focused on what I think are the key issues of the complaint. If there is something I haven't mentioned, it isn't because I've ignored it.

I've considered what both parties have said about Ms C's lending with NewDay. Having carefully considered everything, I think that NewDay acted fairly and reasonably.

The relevant rules, regulations, and guidance at the time of NewDay's lending decisions required them to carry out proportionate checks. While there isn't a defined list of checks a lender needs to carry out, such checks should be proportionate, considering things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. These checks needed to assess Ms C's ability to afford the credit being approved and to be able to repay it sustainably, without causing her financial difficulties or harm.

It isn't sufficient for NewDay to just complete proportionate checks, they must also consider the information obtained from these checks to make fair lending decisions. I've considered the checks NewDay did and what they found from these checks.

Aqua account opening in September 2013 and first limit increase in June 2017

Prior to the account opening, NewDay recorded Ms C's gross annual income as £18,000, equating to a monthly income of around £1,265. NewDay considered her expenditure including a cost of living of around £420, housing costs of around £312 and current credit commitments of around £26 per month. After doing so, it calculated that Ms C had a disposable income of around £507. NewDay also completed a credit check which showed no missed payments on other lending and no reportable repayment arrangements (RRAs). Ms C's debt to income ratio was low, with no recent adverse markers. There was a default for 70 months prior, but I think this can fairly be determined as historic.

Considering the modest limit being provided, and the information gathered through the checks, I think the checks carried out were proportionate and indicated the lending was likely to be affordable. So, I don't think it was wrong for NewDay to provide the opening limit of £250.

During the first limit increase to £400, NewDay utilised CRA data, expenditure estimations and how Ms C was managing her existing credit with them. In the months leading up to the increase, repayments on the account were up to date and frequently for values greater than the minimum due. Limits had not been exceeded and there were no cash withdrawals. On balance, I think the checks were proportionate to the level of lending given the circumstances at the time. And taking into consideration the still relatively low lending amount, and the information found about management of existing external and NewDay credit, I think that NewDay acted reasonably when increasing this limit.

Aqua account – increases in April 2018 and May 2019

Leading up to these increases, repayments on Ms C's account were up to date, frequently above the minimum due. Her credit file indicated that her lending was well managed with no defaults. However, prior to the 2018 increase there were some missed payments despite the low limit at the time. It had been some time since information on income and expenditure had been requested. Taking this into account, I don't think that there is enough to say that NewDay carried out proportionate checks at this point.

I've reviewed Ms C's bank statements leading up to this to consider what reasonable and

proportionate checks would most likely have shown. Ms C had an average monthly income of around £2,320, around £1,250 in housing costs, and at least £200 of other living expenses. On balance, I found that the credit limit increase in 2018 would have been affordable after taking this and existing credit commitments into consideration. I think this would've shown that there were sufficient funds available to sustainably repay a balance of this size.

Prior to the credit limit in May 2019, CRA information found that Ms C had a net income of around £3,002 per month. After taking into account essential bills, credit commitments and living costs, NewDay found she had £900 remaining per month of disposable income. Prior to this, Ms C had been utilising less than 50% of the available credit limit on this account, and a similar level for external revolving credit.

While there was one missed payment showing on Ms C's credit file a few months prior to this, given the level of remaining disposable income, the level of credit utilised on this and other accounts and absence of other recent adverse information on her credit file, I think that reasonable and proportionate checks were carried out at this time and found that the limit increase was sustainable.

For both of these increases, I think that the decision to lend was fair.

Aqua account – increases in 2021

The credit limit on Ms C's Aqua account was increased twice in 2021, in June and October. Prior to both of these increases, NewDay considered the management of Ms C's account and completed a credit check.

In both cases, Ms C's Aqua account showed no significant or frequent cash withdrawals, no late payment fees or overlimit charges. While the account was frequently utilised close to its limit, all repayments were made on time and often for values greater than the minimum due. Higher values were received for around six months prior to the June increase and in most months leading up to the October increase.

NewDay also reviewed Ms C's credit file which found no active pay day loans, no RRAs on other credit commitments as well as no arrears or recent adverse markers on external accounts in either case. At the time, the utilisation of external credit accounts was often higher than it had previously been. By the time of the June increase Ms C had around £7,000 of unsecured debt, and by October this was £11,000. However, credit checks showed this remained well managed.

NewDay reviewed CRA information to show housing costs, credit commitments, and estimated living costs against income from open banking checks. Leading up to the June increase, Ms C was found to have approximately £1,700 of disposable monthly income. Prior to the October increase, it was found she would have around £1,082 remaining each month in disposable income. I think given the management of the account and external credit, and the amount of disposable income found from NewDay's affordability assessments that the checks were reasonable and proportionate in prior to these limit increases.

Taking all this into account, including the lack of negative information on Ms C's Aqua account and credit file and the disposable income available, I think that the lending was sustainable. As such, I don't think NewDay acted unfairly when increasing the credit limit.

Marbles account opening in March 2022

Prior to offering a Marbles account, Ms C's credit file found that she had no active pay day

loans, repayment plans or defaults. By this time, Ms C's credit limit across different providers had grown, and she was utilising a high proportion of her revolving credit. But these were being well managed.

In the months prior to this lending, all repayments were made on time for Ms C's Aqua card, usually for values greater than the minimum due. There were no cash withdrawals, overlimit charges or late payment fees. NewDay used credit file information to conduct an affordability assessment, which found that Ms C had a net monthly income of around £2,093, a cost of living of around £517, credit commitments for £702 and housing costs of £633, leaving a monthly disposable income of around £200. I think that these checks were reasonable and proportionate. Although Ms C's debt had grown in this time, there was also evidence that she was managing this well. I think that taking all of this into account, the decision to lend was fair.

In reaching my conclusions, I've also considered whether the lending relationship between Ms C and NewDay might have been unfair to Ms C 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 Ms C with credit or otherwise treat her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome.

My final decision

For the reasons given above, I do not uphold this complaint against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 20 April 2026.

Frances Kerslake
Ombudsman