

## The complaint

Miss R complains that NewDay Ltd lent irresponsibly when it approved two credit card applications she made and increased the limit on both.

## What happened

Miss R applied for an Aqua credit card in January 2022. In her application, Miss R said she was employed with an annual income of £24,562 that NewDay calculated left her with around £1,767 a month net. NewDay used a service provided by the credit reference agencies (CATO) to verify Miss R's income via her current account turnover. Miss R's application also advised she was a tenant. No dependents were recorded on the application. NewDay completed a credit search and found Miss R had existing debts of around £4,000 with monthly repayments of around £200. NewDay found a County Court Judgement (CCJ) that was 31 months old and default information that as 39 months old. No recent adverse credit or missed payments were noted.

NewDay completed an affordability assessment using an income of £1,767 estimates obtained from nationally recognised statistics of £165 for Miss R's rent and £498 a month for her general living expenses. NewDay also took Miss R's existing debt repayments of £200 a month into account. NewDay says Miss R had a disposable income of £898 a month after her existing outgoings were met. NewDay approved Miss R's Aqua application and issued a credit card with a limit of £600.

Miss R used the Aqua credit card and NewDay increased the limit in stages as follows:

Event	Date	Limit
App	Jan-22	£600
CLI1	May-22	£1,600
CLI2	Sep-22	£2,850
CLI3	May-23	£3,600

Miss R applied for an Argos credit card with NewDay in October 2022. In her application, Miss R said she was employed with an annual income of £19,500 that NewDay calculated left her with £1,463 a month net. NewDay verified Miss R's income in line with her Aqua application. A new credit search showed Miss R had unsecured debts totalling £7,000 and was making monthly repayments of £96.

An affordability assessment was completed using a monthly income of £1,463 and estimates £159 for Miss R's rent and £486 a month for her general living expenses. NewDay also included Miss R's repayments of £99 in its assessment. NewDay says Miss R had a disposable income of £719 a month after covering her existing outgoings and approved the application, issuing an Argos credit card with a limit of £700.

Miss R used the Argos credit card and NewDay went on to increase the limit as follows:

Event	Date	Limit
App	Oct-22	£700
CLI1	Feb-23	£1,700
CLI2	Jun-23	£2,700

Later in 2023 Miss R's payments fell behind and payment plans were set up and interest suspended. Both accounts were later closed in default. More recently, Miss R complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks for both accounts and didn't agree it lent irresponsibly to Miss R.

An investigator at this service looked at Miss R's complaint. They thought NewDay completed proportionate checks and its decisions to approve both credit cards and credit limit increases were reasonable based on the information it obtained. The investigator wasn't persuaded NewDay lent irresponsibly and didn't uphold Miss R's complaint. Miss R asked to appeal and said she wasn't working when she made both applications and was a full time carer in receipt of benefits. Miss R added that she had two children and that her outgoings were higher than the figures used by NewDay. As Miss R asked to appeal her complaint has been passed to me to make a 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 agreeing to lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Miss R could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As Miss R has complained about two separate accounts I'm going to look at each in turn. I'll start with the Aqua credit card approved in January 2022. I've set out the information Miss R submitted when making her Aqua application above. Miss R said she was employed with an annual income of £24,562. Miss R has since told us she wasn't employed at the time and was acting as a full time carer, in receipt of benefits. But NewDay used a service provided by the credit reference agencies known as CATO to check the turnover for Miss R's current account. That response verified the income level Miss R gave in the application. Given NewDay verified the income figure Miss R provided in the application and she confirmed she was employed, I'm satisfied the decision to use her declared income was reasonable.

I can see a CCJ and default information was noted on Miss R's credit file. But that information was over two years old and no recent adverse credit or missed payments were

noted on Miss R's credit file. I'm also satisfied NewDay obtained details of Miss R's outstanding debts and took the monthly repayments into account when looking at the application.

NewDay used estimates for Miss R's rent and general living expenses in its affordability assessment. Lenders are allowed to use reasonable estimates where appropriate under the relevant lending rules. Here, NewDay obtained the estimates from nationally recognised statistics and I haven't seen anything that indicates it wasn't reasonable to use them when considering whether a new credit card was affordable.

After taking Miss R's income, rent, general living expenses and credit commitments into account NewDay reached the view she had a disposable income of around £898 a month. In my view, that was a reasonable conclusion to reach following proportionate checks by NewDay. And I'm satisfied a disposable income of £898 a month would've been sufficient to sustainably afford repayments to a new credit card with a limit of £600. I'm sorry to disappoint Miss R but I haven't been persuaded NewDay lent irresponsibly when it approved her Aqua application.

I'm going to cover the Aqua credit limit increases between May 2022 and May 2023 together. In all three cases, the same process was followed by NewDay. CATO was used to get an monthly income figure for Miss R on each occasion returning consistent results of between £1,934 and £2,093. Miss R's payments to her Aqua account were also considered. I can see Miss R's payments were generally for more than the minimum due each month. Miss R appears to have been managing the Aqua credit card without obvious signs of difficulty.

Miss R's credit file was also checked and no new adverse credit or missed payments were found. I can see Miss R's other unsecured debts did increase over time but the repayments were all made on time and there were nothing I saw that indicated she was overcommitted.

For each credit limit increase Aqua completed a new affordability assessment, in line with the application. NewDay calculated Miss R had a disposable income of over £950 on each occasion it increased the limit of her Aqua credit card which was sufficient to sustainably afford the repayments.

In my view, the level and nature of the checks completed by NewDay before increasing the Aqua credit limit were proportionate to the amount and type of credit it went on to approve. Overall, I'm satisfied the information NewDay obtained showed Miss R was able to sustainably afford repayments to her Aqua credit card with limits up to £3,600. I'm sorry to disappoint Miss R but I haven't been persuaded NewDay lent irresponsibly when it increased the limit on her Aqua credit card.

The Argos application was made in October 2022. By this point, Miss R had built up a good track record with her Aqua credit card with all payments being received on time and no fees being applied. Miss R's Argos application confirmed she was still employed but gave a slightly lower income figure of £19,500. Again, NewDay used CATO to verify the income figure Miss R provided which returned a positive result. So I'm satisfied it was reasonable for NewDay to use a monthly income of £1,463 in the application.

A new credit search was completed that took Miss R's existing debts of around £7,000 and monthly repayments of £96 into account. NewDay found the CCJ which was now 40 months old and default information that was 49 months old on Miss R's credit file. But no more recent adverse credit or missed payments were recorded. I haven't seen anything on the credit file results NewDay obtained that indicated Miss R was struggling or overcommitted.

An affordability assessment using Miss R's income, estimates for rent and general living expenses and credit commitments was completed reaching the view Miss R had a disposable income of £719 a month. I think it's arguable the figure used for Miss R's credit commitments was too low. But I'm satisfied there was still room in Miss R's disposable income figure to maintain higher repayments. In my view, NewDay's checks were proportionate to the new Argos credit card with a limit of £700. And I'm satisfied the decision to approve the Argos credit card was reasonable based on the information NewDay obtained. I'm sorry to disappoint Miss R but I haven't been persuaded NewDay lent irresponsibly when it approved her Argos application.

I'll look at the two Argos credit limit increases, approved in February and June 2023, together. NewDay followed the same approach as Miss R's Aqua account. CATO was used to check Miss R's current account turnover and get a monthly income figure. In February 2023 that returned a figure of £2,083 and in June 2023 it was £2,093. Credit searches found no new adverse credit or missed payments. All Miss R's Argos payments had been made on time and no fees were incurred. Again, Miss R's Argos payments were generally for more than the minimum required.

For both credit limit increases NewDay completed affordability assessments using Miss R's income and making deductions for her rent and general living expenses in addition to her credit commitments. NewDay reached the view Miss R had a disposable income of £1,076 in February 2023 and £953 in June 2023. In my opinion, the disposable income figures reached were sufficient to sustainably afford repayments to the increased credit limits.

Overall, I'm satisfied NewDay completed reasonable and proportionate checks before approving the credit limit increases for Miss R's Argos credit card. And I'm satisfied the decision to increase the credit limit in February 2023 and June 2023 was reasonable based on the information NewDay obtained. I'm sorry to disappoint Miss R but I haven't been persuaded NewDay lent irresponsibly when it increased the limit on her Argos credit card.

In response to the investigator, Miss R explained she wasn't employed when she made the applications to NewDay and was a carer in receipt of benefits. Whilst I understand Miss R's position, for the reasons I've given above, I think NewDay reasonably took the view she was employed as claimed. Miss R's also explained she has two children which should've been included as dependents for affordability purposes. But I've looked at the information provided in both applications and neither contains any reference to dependents. I haven't seen anything that indicates NewDay was aware Miss R had dependents when completing its lending checks.

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

### **My final decision**

My decision is that I don't uphold Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 13 March 2026.

Marco Manente

**Ombudsman**