

The complaint

Mr T complains that NewDay Ltd trading as Aqua (NewDay) lent to him irresponsibly.

What happened

Mr T opened a credit card account with NewDay in May 2020 with a credit limit of £450. The credit limit was increased to £1200 in September 2020 and to £2,200 in March 2022.

Mr T complained to NewDay with the help of a professional representative saying it had lent to him irresponsibly. Mr T said that NewDay had failed to appropriately check whether the credit was affordable for him and had it done so it would have found the lending to be unaffordable.

Mr T has explained he had other accounts with NewDay and feels it didn't properly account for these when lending to him.

NewDay looked into Mr T's complaint and issued a final response letter explaining it believed it had acted fairly in providing the credit. It said it had confirmed the agreement was affordable by checking internal information, the information the credit reference agencies (CRA) held about him, and asking Mr T about his income and expenditure.

Mr T didn't accept NewDay's response, so he referred his complaint to our service, again with the help of a professional representative. One of our investigators looked into it, but based on the evidence available, our investigator said they couldn't reasonably conclude that the lending was irresponsible, or the relationship was unfair.

Mr T didn't accept what our investigator said, so he asked for a second opinion. As there was no agreement, the complaint has been passed to me for 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.

Having done so, I reached the same outcome as the investigator, but my reasoning differed, so I issued a provisional decision saying:

"I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- *Did NewDay carry out reasonable and proportionate checks to satisfy itself that Mr T was able to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did NewDay make a fair lending decision?*
- *Did NewDay act unfairly or unreasonably towards Mr T in some other way?*

NewDay had to carry out reasonable and proportionate checks to satisfy itself that Mr T would be able to repay the credit sustainably. It's not just about NewDay assessing the likelihood of Mr T being able to repay the credit, but it had to consider the impact of the repayments on him.

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 and the amount of the monthly repayments.

Did NewDay carry out reasonable and proportionate checks to satisfy itself that Mr T was in a position to sustainably repay the credit? If not, what would reasonable and proportionate checks have shown at the time?

NewDay has explained that at each lending decision it carried out a full credit search to get an understanding of Mr T's situation before it decided to lend to him. It said it found no adverse information recorded within the 12 months prior to each lending decision and it could see that Mr T was managing his existing debt well.

NewDay established at the first lending decision that Mr T was earning around £27,000 a year and successfully confirmed this through the CRAs. At the time of the limit increase it used information from the credit reference agencies to establish what Mr T's income was. NewDay also used the information Mr T provided, along with information the CRA's held, and national statistics to establish what his committed expenditure was. Based on its calculations, NewDay found that Mr T had enough disposable income to afford the initial limit and the subsequent increases.

I've carefully considered the information NewDay relied on, and I'm satisfied the checks carried out for the initial lending decision were fair. I say this because based on all the information gathered it appeared Mr T had a relatively low amount of debt elsewhere, and no pay day loans. He had no recent adverse records on his credit file and had enough disposable income to be able to afford the lending and be left with a reasonable sum. There was nothing to suggest that Mr T wouldn't be able to sustainably afford this relatively low limit or that further checks would be needed prior to lending. Given this I haven't seen anything to suggest the lending decision here was unfair.

However, I'm not persuaded that the checks for either limit increase were wholly proportionate.

When considering the first limit increase, it's clear that Mr T's income and essential living costs - as far as NewDay could see - had dramatically increased and Mr T now had a payday loan. It seems unusual that Mr T would require pay day lending at the same time as having such a large increase in income in the three months since the initial lending decision. NewDay has argued that the pay day loan was historic, but I don't agree. Based on the information it provided, this loan was taken out between May and August 2020, which I don't think can reasonably be considered historic. Given this I think it would have been proportionate for NewDay to query Mr T's income with him to get a more accurate picture of his disposable income before lending a further £750.

There are a number of ways in which NewDay could have done this and for the avoidance of doubt, I'm not making a finding here that NewDay needed to see Mr T's bank statements before lending to him further. However, Mr T has been able to provide a copy of his bank statements from the time, and in the absence of anything else, I think it's reasonable to rely on these to establish what NewDay would likely have found had it asked Mr T more about his finances.

I've reviewed the available statements. From these I can see that after considering Mr T's actual income and his essential expenditure, including repayments to this and other debt, he had enough disposable income to be able to afford the higher credit limit and be left with a reasonable amount for other expenditure.

When considering the information available at the point of the second credit limit increase, I can see NewDay found that Mr T's non-revolving credit had increased significantly. The information provided by NewDay doesn't indicate what the nature of this lending was. Without this information, I can't be satisfied that NewDay knew this wasn't as a result of the type of lending that might have indicated an over reliance on credit or some sort of difficulty. Given this I think a proportionate check would have indicated what this lending was for.

Mr T has provided a copy of his credit file and although it's hard to be exact given the time that's passed since the lending decision, it appears that this lending was as a result of a hire purchase agreement and another loan. Both of which Mr T was maintaining well. I can also see that he repaid the hire purchase agreement early (in February 2022). Given this there's nothing to indicate here that Mr T was struggling with his finances. So had NewDay asked him about this, I think it would more likely than not have been satisfied that he was able to manage the credit he had alongside the proposed increase. So, I don't think a proportionate check would have revealed the lending to be unaffordable.

Mr T has also pointed out that he had two other accounts with NewDay at the time. Having considered the available evidence I can't see that this lending was ignored when NewDay made its lending decisions, and I can't see that this lending was excluded from credit reporting in anyway. From what I can see Mr T was managing this account and his other accounts (including those with NewDay) relatively well and I haven't seen anything to suggest that NewDay should have been aware that he would struggle to maintain this account with the increased limits.

NewDay needed to satisfy itself that Mr T would be able to repay the debt in a sustainable way, within a reasonable period. And in this instance, from the evidence available I'm not persuaded its checks went far enough to achieve this.

However, based on what I've seen, I'm persuaded that if NewDay had found out more about Mr T's circumstances, it would have fairly concluded that he wasn't struggling financially and had enough disposable income to be able to sustainably afford the lending.

So, based on the information available to me, I can't reasonably conclude that NewDay acted unfairly when it agreed to lend to Mr T in 2020, or 2022.

Did NewDay act unfairly or unreasonably towards Mr T in some other way?

I can see that Mr T made regular payments, and the account was managed well until 2024 when a default was applied. Where a customer falls in to sustained arrears, this is what I would expect to see, and I haven't seen anything else to suggest Mr T was treated unfairly through the life of the account.

Overall, and based on the available evidence I'm not persuaded that NewDay has acted unfairly in this case. It's not clear enough to me that NewDay created unfairness in its relationship with Mr T by lending to him irresponsibly and I don't find NewDay treated Mr T unfairly in any other way either based on what I've seen."

Neither party has responded to my provisional decision, so in the absence of any further evidence, I see no reason to depart from my findings here.

My final decision

My final decision is that I don't uphold this complaint for the reasons I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 April 2026.

Charlotte Roberts
Ombudsman