

The complaint

Mrs T complains that NewDay Ltd trading as Aqua acted irresponsibly by providing her with, and then increasing the credit limit on, a credit card account.

What happened

In September 2020, NewDay approved Mrs T's application for a credit card, giving her a limit of £900. They increased this limit several times as follows:

- £1,900 in February 2021
- £3,400 in October 2021
- £4,900 in February 2022
- £6,250 in June 2022
- £6,500 in September 2023

Mrs T complained to NewDay that they didn't adequately assess her affordability when they lent to her.

NewDay responded to Mrs T's complaint in September 2024 and agreed they shouldn't have increased the limit in September 2023. However, they were satisfied the other lending decisions were affordable. Mrs T wasn't happy with NewDay's response, so she referred her complaint to the Financial Ombudsman.

An investigator here assessed her complaint but didn't find that NewDay had lent irresponsibly or that the lending decision were unaffordable.

Mrs T didn't agree with the opinion of the investigator and said her expenditure was higher than what had been calculated.

Because an agreement couldn't be reached, the complaint has been passed to me to decide. As NewDay upheld the lending decision in September 2023, my final decision will focus on the account opening and subsequent four limit increases.

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'm not upholding Mrs T's complaint. I know this is likely to be disappointing, so I'll explain the reasons for my decision.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as (CONC) what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

Fundamentally, a firm must carry out checks which are proportionate to the individual circumstances of each case.

I've kept all of this in mind when thinking about whether NewDay did what was needed before lending to Mrs T.

Did NewDay carry out proportionate checks and did they make fair lending decisions?

Account opening

Before approving Mrs T's credit card application, NewDay:

- Asked Mrs T for her income
- Estimated Mrs T's housing and living costs using statistical data
- Estimated Mrs T's disposable income
- Checked Mrs T's credit file.

Whilst the credit check carried out by NewDay showed no recent adverse information, it was clear Mrs T had experienced financial difficulties in the past. At least one default had been recorded 23 months prior and Mrs T had entered into an Insolvency Voluntary Agreement and/or a Bankruptcy agreement in the last three years.

Mrs T told NewDay her annual income was £12,000 – or around £900 per month. Based on this and the statistical data NewDay obtained, Mrs T's disposable income was estimated to be £115.

Because of the information in the credit check, and as Mrs T's income was low, I don't think it was appropriate for NewDay to rely on statistical data as it was possible Mrs T's expenditure was higher than estimated – particularly her housing costs which NewDay only estimated to be around £170.

So, I think it would have been proportionate for NewDay to have verified Mrs T's income and asked her about her expenditure, to ensure this new credit card was affordable.

What would proportionate checks have shown?

I reviewed Mrs T's statements for the three months leading up to the lending decision. To be clear, I'm not saying NewDay should have checked Mrs T's statements. Rather, I'm relying on the information contained in the statements to decide what NewDay would have found out had they asked more questions.

I can see that Mrs T was earning, on average, around £1,060 per month and her non-discretionary expenditure was, on average, around £590 per month. I couldn't identify any rent or mortgage payments, and Mrs T wasn't able to confirm how much this was. I could also see Mrs T had an external account, which these payments might have come from, but she wasn't able to provide the relevant statements.

So, I've relied on the average figure of around £170 NewDay used in their affordability assessment. And so, based on these figures, Mrs T appeared to have enough disposable income to afford sustainable repayments towards this new credit card.

Overall, I'm satisfied NewDay could have made a fair decision to lend even if they'd done further checks. And so, it follows that I don't think they acted unfairly when they approved this new credit card.

Credit limit increase ('CLI') one

Before approving the limit increase to £1,900 in February 2021, NewDay:

- Obtained Mrs T's income using Current Account Turnover ('CATO') data
- Obtained Mrs T's housing and living costs using data from a Credit Reference Agency ('CRA')
- Estimated Mrs T's disposable income
- Checked Mrs T's credit file
- Reviewed Mrs T's account usage

I think the checks were proportionate in the circumstances. NewDay obtained Mrs T's income and expenditure details through the CRA. I'm satisfied this was a suitable method to estimate Mrs T's disposable income and I haven't seen anything in the information NewDay obtained which ought to have prompted them to do further checks.

Mrs T's monthly income was recorded as £1,470 and non-discretionary spending (housing, credit commitments, and living costs) was calculated at £1,126. This resulted in a monthly disposable income of around £344.

Mrs T had around £12,000 external debt – which is fairly high compared to her income. However, I'm satisfied this was mainly Mrs T's hire purchase agreement. She appeared to be managing her accounts well, with no missed payments, underpayments or arrears in the months leading up to the increase. There was also no new adverse information being reported. The NewDay account was being well maintained, with no late payment or over limit charges, and Mrs T hadn't relied on it much, with the highest balance being around £133 in December 2020

So, overall, I'm satisfied that the decision to increase Mrs T's limit wasn't unfair.

CLI two

In October 2021, the credit limit on the account was increased to £3,400. The checks NewDay carried out were as described above. Mrs T's monthly income was recorded as £1,509 and non-discretionary spending (housing, credit commitments, and living costs) was calculated at £1,093. This resulted in a monthly disposable income of around £416.

The CRA information continued to show no new adverse information and Mrs T appeared to be managing her existing accounts well. Her external debt had reduced to around £9,100 and there were still no missed payments, underpayments or arrears in the months leading up to the increase. Mrs T had also continued to manage her NewDay account well and was consistently making more than the minimum payment required.

Overall, I'm satisfied that in the circumstances (no recent adverse CRA data, the NewDay account being maintained and no apparent affordability issues) the checks NewDay carried out were reasonable and proportionate and they were entitled to rely on them when making a lending decision.

As the information NewDay obtained suggested Mrs T had enough disposable income to afford sustainable repayments towards the new limit, it means I'm satisfied this decision to increase her limit wasn't unfair.

CLI three

In February 2022, the credit limit on the account was increased again, this time to £4,900. NewDay followed the same process when considering the increase. Mrs T's monthly income was recorded as £1,598 and non-discretionary spending (housing, credit commitments, and living costs) was calculated at £1,365. This resulted in a monthly disposable income of around £233.

The CRA information continued to show no new adverse information and Mrs T appeared to be managing her existing accounts well. Mrs T had around £10,200 external debt and there were still no missed payments, underpayments or arrears in the months leading up to the increase. Mrs T had also continued to manage her NewDay account well and was consistently making more than the minimum payment required.

Once again, I'm satisfied that the checks NewDay carried out were reasonable and proportionate in the circumstances, and they were entitled to rely on them when making a lending decision.

As the information NewDay obtained suggested Mrs T had enough disposable income to afford sustainable repayments towards the new limit, it means I'm satisfied this decision to increase her limit wasn't unfair.

CLI four

In June 2022, the credit limit on the account was increased to £6,250. NewDay followed the same process when considering the increase. Mrs T's monthly income was recorded as £1,608, and her non-discretionary spending (housing, credit commitments, and living costs) was calculated at £1,327. This resulted in a monthly disposable income of around £281.

Our investigator thought the checks were proportionate, which arguably they were considering Mrs T had continued to manage her NewDay account well, making more than the minimum payment required.

However, I'm also conscious that NewDay's average living costs figure was recorded as £401 which is a significant drop from the amount of £572 recorded only four months prior. I also noted that her available limits had increased from £3,900 in February 2022 to £10,600 – which could have been a sign that Mrs T was at risk of becoming overindebted.

So, I've thought about what NewDay might have found out of they'd asked Mrs T about her expenditure. But based on what I found in Mrs T's statements, I'm not persuaded this would have made a difference.

I say this because Mrs T's non-discretionary living expenses totalled, on average, around £330 per month. I couldn't identify any rent or mortgage payments, and Mrs T wasn't able to confirm how much this was, nor was she able to provide the statements for her external account. So, I've relied on the average figure NewDay used in their affordability assessment of around £343. Based on these figures, and after including the credit commitment figure of £583 NewDay obtained from the CRA, Mrs T appeared to have enough disposable income to afford sustainable repayments towards the new limit

Overall, I'm satisfied NewDay made a fair decision to lend and so, it follows that I don't think they acted unfairly when they increased the limit.

In reaching my conclusions, I've also considered whether the lending relationship between NewDay and Mrs T might have been unfair to Mrs T under Section 140A of the Consumer Credit Act 1974 ('Section 140A'). However, for the reasons I've explained, I've not been

persuaded that NewDay irresponsibly lent to Mrs T or otherwise treated her unfairly in relation to this matter. And 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.

Overall while I sympathise with any difficulties Mrs T has had repaying her credit card, I'm not persuaded NewDay treated her unfairly or unreasonably.

My final decision

As I've explained above, I'm not upholding Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 15 April 2026.

Amelie Makris
Ombudsman