

The complaint

Mrs R complains that NewDay Ltd trading as John Lewis Partnership Card (JLP) lent irresponsibly when it approved her credit card application.

What happened

In January 2023 Mrs R applied for a credit card with JLP. In the application, Mrs R said she was employed with an income of £25,000 a year. Mrs R also said there was other income in the household of £1,738 a month. Mrs R confirmed she had a mortgage with a balance of around £190,000 and said she had outstanding unsecured credit of £100.

JLP carried out a credit search and found Mrs R had six active accounts with no adverse information (like defaults or County Court Judgements) and no arrears.

JLP says it applied its lending criteria to Mrs R's application and approved a credit card with a credit limit of £4,000.

In July 2023, Mrs R complained to JLP and said it had failed to carry out the relevant checks during the application process. Mrs R has explained that the debt figure of £100 she gave in the application wasn't accurate and says she had an outstanding credit card debt of around £1,500 with another business I'll refer to as P. Mrs R also said she was using her overdraft each month when she applied for the credit card.

JLP issued a final response on 26 September 2023 but didn't uphold Mrs R's complaint. JLP said it had carried out the necessary checks before approving Mrs R's credit card application and didn't agree it had lent irresponsibly.

An investigator at this service looked at Mrs R's complaint. They thought JLP had carried out reasonable and proportionate checks before deciding to approve the application and didn't uphold Mrs R's complaint. Mrs R asked to appeal and provided a copy of her other credit card statement that showed she had around £1,450 outstanding at the time of her application. Mrs R also said JLP had failed to take her vulnerabilities into account. In addition, Mrs R said JLP had failed to respond to her complaint in line with the timescales required by the Financial Conduct Authority (FCA). As Mrs 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, the rules say JLP had to complete reasonable and proportionate checks to ensure Mrs 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 circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Here, JLP collected information from Mrs R in the application. Mrs R gave details about her circumstances, including residential status and size of her mortgage. Mrs R also said she was employed with an income of £25,000 and that her partner's income was around £1,738 a month. I understand Mrs R understated the amount of debt on her credit card by advising it was £100 instead of £1,500. But JLP has confirmed it carried out a credit search to get a picture of her commitments. And no evidence of adverse credit or arrears was found.

I've looked at the information JLP found in when looking at Mrs R's credit file. I accept it didn't pick up Mrs R's credit card with P so based its lending decision on the information Mrs R gave about her outstanding debt in the application. Whilst I accept the credit card with P didn't show up on JLP's credit search, I haven't been persuaded it was unreasonable for it to be guided by Mrs R concerning the balance she had outstanding.

Looking at the information available, I think JLP makes a reasonable point when it says the credit card appeared to be affordable based on the information it had about Mrs R at the time of application. Mrs R's mortgage costs were taken into consideration. The credit file didn't show Mrs R was over committed or any adverse credit in her name. And Mrs R's income appeared to be sufficient to cover her commitments in addition to a new credit card with a limit of £4,000. I haven't seen anything in the application or other information JLP obtained that would've caused it to consider carrying out further checks, like looking at Mrs R's bank statements, before deciding to proceed. I'm sorry to disappoint Mrs R but I'm satisfied JLP did carry out reasonable and proportionate checks before approving her application.

With that said, Mrs R has forwarded bank statements for the months before her application was approved. So I've also looked at them to consider what JLP would've found. Mrs R's statements show a reasonable stable level of income and outgoings each month. Mrs R was receiving £1,750 as her employed income along with a payment of £600 towards her mortgage (which I assume was from her partner). Mrs R's regular outgoings, including direct debits to cover her credit card with P, came to around £1,600. That meant, Mrs R had around £750 after her regular commitments were covered each month.

I can see Mrs R did enter the overdraft each month, but the majority of the time her account was in credit. And I haven't seen anything on the bank statements that would've shown JLP Mrs R was struggling or unable to sustainably maintain a new credit card.

In her complaint submission and response to the investigator, Mrs R has told us some very personal information about her circumstances in the years before she applied to JLP. I'm not going to repeat what Mrs R has told us here but want to assure her I've taken it into account when considering her case. I don't doubt how difficult Mrs R's experiences have been. But, in terms of her complaint about JLP, I have to consider whether it would've been reasonably apparent to it that Mrs R was in a vulnerable situation when she applied for the credit card. I'm sorry to disappoint Mrs R but there's no information within the application or other details JLP found that I can see that would've told it about the vulnerabilities she was experiencing.

So I'm unable to say JLP disregarded or ignored Mrs R's vulnerabilities when considering her application.

I'm very sorry to disappoint Mrs R but as I'm satisfied JLP carried out reasonable and proportionate checks and that its decision to approve her credit card was fair based on what it knew, I'm unable to agree it lent irresponsibly. That means, I'm unable to uphold Mrs R's complaint.

In response to the investigator, Mrs R said JLP had failed to issue its final response within eight weeks. I should explain that complaint handling, in its own right, isn't something the Financial Ombudsman Service is able to consider. And whilst I accept the final response was issued after the eight week deadline, I'm satisfied Mrs R was able to refer her complaint to us so wasn't negatively impacted overall.

As I haven't been persuaded JLP lent irresponsibly, I'm unable to uphold Mrs R's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 April 2024.

Marco Manente
Ombudsman