

## **The complaint**

Mr A, who is represented by a third party, complains that NewDay Ltd (“NewDay”) irresponsibly granted him three credit card accounts that he couldn’t afford to repay.

## **What happened**

Mr A entered into agreements with NewDay to have access to credit with three separate credit card accounts.

The first, a Burton account, was opened for him in August 2012 with a credit limit of £500. It then had five credit limit increases, going up to £4,950 in February 2020.

The second, an Amazon/Pulse account, was opened for him in May 2018 with a credit limit of £3,000. It then had five credit limit increases, going up to £8,000 in May 2021.

The third, a Fluid account, was opened for him in December 2018 with a credit limit of £1,500. It then had four credit limit increases, going up to £8,000 in February 2021.

Mr A says that NewDay didn’t complete adequate affordability checks when it opened each of these accounts. He says if it had, it would have seen that each agreement wasn’t affordable for him as he didn’t have enough available income each month to sustainably afford the required repayments. The lending therefore worsened his financial situation.

NewDay said that for each account it carried out a reasonable and proportionate assessment to check Mr A’s financial circumstances before granting the credit accounts for each card and then going on to provide credit limit increases.

Our investigator didn’t recommend the complaint be upheld. She thought NewDay didn’t act unfairly or unreasonably by approving each of the accounts and the credit limit increases that followed.

Mr A didn’t agree and so his complaint has been passed to me for a final 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.

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting each of these accounts, NewDay looked into Mr A’s financial situation, so I’ve looked at each of these in turn. Having done so, I won’t be upholding this complaint, either in whole or in part, but I would like to explain why in a little more detail.

### *Burton account*

Before opening the Burton account, I would have expected NewDay to have gathered a reasonable amount of evidence and information from Mr A about his ability to repay. This would include completing a credit check and asking him about his income. The underwriting data is no longer available. But from the data that I've seen I can see that Mr A said he was earning an annual income of £42,000. He looks to have had around £7,000 in unsecured borrowing and ongoing credit commitments at the time and was also paying towards a mortgage. Also, there were no defaults against any of his borrowing and nor were there county court judgments registered against him. However, just because I think NewDay it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. But with the limited amount of information available from NewDay, I haven't seen enough to make a finding that NewDay may have acted unfairly.

The position is broadly the same for the first two credit limit increases, in July 2016 and November 2017. I've noted that Mr A had increased his level of unsecured debt to around £9,500 by the time of the second credit limit increase.

As for the next three credit limit increases, I've seen that Mr A continued to earn the same salary. His level of debt was rising though, going from around £28,000 in February 2019 to around £36,000 by the time of the fifth credit limit increase in February 2020. I agree that this is a significant level of debt, notwithstanding Mr A's level of earnings at this time. But the bank statement information I've seen from Mr A, shows that Mr A was managing his existing level of credit alongside his day-to-day living expenses reasonably well. This includes meeting daily essential costs such as his housing and utility costs. I also agree with our investigator that it's reasonable to take income from his partner into consideration as contributing to towards household costs, especially given that this appeared to be a second salary that was based on being paid full-time.

Having reviewed the available evidence and information from NewDay gathered alongside what Mr A has given us, I'm satisfied that had NewDay carried out better checks for each of these increases, it would likely have seen that they were also likely to be affordable for Mr A. Given what I know about his income and typical monthly outgoings at this time, I think he would have been left with enough disposable income to be able to continue making affordable and sustainable payments towards his Burton card.

### *Amazon/Pulse account*

Again, NewDay only has limited details from the time of the account opening in May 2018. Given the level of credit Mr A already had access to with NewDay and his increasing level of unsecured debt, I would again have expected it to carry out checks such as verifying his level of income and looking further into his financial circumstances, so as to better understand his situation in the context of the new credit he was to be granted. I say this especially as there was an increased likelihood that he might be overstretching his finances, with the possibility that this could lead to a deterioration in his financial circumstances. So I think NewDay ought to have taken steps to find out more about Mr A's ongoing spending commitments, including his regular living costs aside from what he owed from borrowing. Mr A's bank statements do once again broadly show that he was managing to meet his financial commitments sustainably and so would be able to repay the new credit. So I agree that had NewDay carried out better checks at the time, it would have been likely to reach the same conclusion. That means I don't consider that NewDay acted unfairly in granting Mr A this account.

Turning to the credit limit increases, I agree that with Mr A's overall level of debt continuing to rise, NewDay ought to have been prompted by what it saw to act proportionately by carrying out better checks to ensure that it was continuing to lend to Mr A in a proportionate way. But using what I've seen on his bank statements as an indication of what NewDay might have found, I agree that Mr A was managing to pay his monthly credit repayments out of his income with the non-credit essential expenditure and day-to-day living costs still being met. I therefore don't think that conducting more proportionate checks would have been likely to change NewDay's decision to lend.

### *Fluid account*

NewDay has been able to confirm that Mr A passed its affordability checks, having been made aware of his income (£42,000) and level of debt commitments at that point. He owed just over £28,000 in unsecured borrowing and was continuing to pay towards a mortgage. And again, there didn't appear to be any adverse markings on his credit file at that point. However, I think the level of increasing debt that NewDay would have seen showed Mr A was using a significant amount of monthly income in order pay creditors. And because he needed to be able to make those payments sustainably, it would have been proportionate for NewDay to have taken steps to gain a more thorough understanding of Mr A's financial situation before going on to grant him further credit. But again, I am inclined to agree that his bank statements show that Mr A was continuing to manage his finances and repay his credit sustainably.

The same position broadly applies with the credit limit increases that followed, made between August 2019 and February 2021. Mr A continued to meet his credit repayments without getting into difficulties such as late or missed payments, whilst still meeting his regular non-credit expenditure commitments. But I still think that with Mr A's level of unsecured debt continuing to increase, NewDay ought to have been checking more carefully to gain a better understanding to be sure that Mr A was likely to be managing to continue to meet his credit commitments sustainably. Had it done so it would have seen that Mr A still had enough income available to meet his existing financial commitments whilst taking on the series of limit increases to his account. I say this having again reviewed the bank statement information Mr A sent us.

In conclusion, having looked carefully at all the available evidence and information, I don't think there's enough to have shown that the credit card agreements with NewDay were likely to have been unaffordable. So I can't reasonably conclude that NewDay ought to have thought that Mr A might be at risk of getting into difficulty with making his repayments.

It follows that I'm therefore not persuaded that NewDay acted unfairly in approving each of these three accounts.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 April 2024.

Michael Goldberg  
**Ombudsman**