

Complaint

Mr S has complained about a credit card NewDay Ltd (“NewDay”) provided to him.

He says that he shouldn’t have been given the credit card as it was unaffordable for him.

Background

NewDay provided Mr S with a credit card with a credit limit of £900 in November 2020. Mr S wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr S and NewDay had told us. And she thought NewDay hadn’t done anything wrong or treated Mr S unfairly in relation to providing the credit card.

So she didn’t recommend that Mr S’ complaint be upheld. Mr S disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Mr S’ complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr S’ complaint.

NewDay needed to make sure it didn’t lend irresponsibly. In practice, what this means is NewDay needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

NewDay says it agreed to Mr S’ application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr S would be able to make the low monthly repayment due on this credit card.

On the other hand Mr S says that he shouldn’t have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr S was provided with a revolving credit facility rather than a loan. And this means that NewDay was required to understand whether a credit limit of £900 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £900 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information NewDay obtained from Mr S and what was on the credit search carried out. The credit search did show that Mr S had some existing credit and I know that Mr S has referred to previous difficulties in the form of a County Court Judgment ("CCJ") and other defaulted accounts recorded against him.

But I have to weigh this against the fact that these difficulties were historic – the CCJ was from almost four years prior to this application and the most recent default was more than a year prior to this application – and Mr S was only being lent a maximum of £900, which he'd only have to make low monthly payments to. I don't agree that Mr S' previous difficulties or the fact that he used the card to make alcohol purchases means that he shouldn't have been lent to.

I accept that Mr S says that his actual circumstances at the time were worse than what the information NewDay obtained showed. And Mr S' suggestion is that if NewDay had done more it would have seen this. However, I don't think that there wasn't anything immediately obvious in the information that NewDay had, including Mr S' existing credit, which meant it should've asked Mr S to provide supporting evidence, such as bank statements, before providing him with a credit card, with such a low credit limit, in this instance. I'm also mindful that Mr S' circumstances did alter later in 2021 as a result of a change in his status and NewDay did agree to a repayment plan at this stage.

Overall and having considered everything, while I can understand Mr S' sentiments and I'm sorry to hear about his situation, I don't think that NewDay treated Mr S unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

Furthermore, I've not been provided with any credible evidence that doing more here such as finding out more about Mr S' regular living expenses would, in any event, have made a difference to its lending decision in this instance.

For all of these reasons, I don't think NewDay lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 August 2024.

Jeshen Narayanan
Ombudsman