

The complaint

Mr C says NewDay Ltd irresponsibly lent to him.

What happened

Mr C took out two credit cards from NewDay. The credit limit was increased on both cards a number of times. A summary of his borrowing follows.

Marbles card		Aqua card	
date	credit limit	date	credit limit
19/06/2020	£900	14/04/2022	£1,200
02/10/2020	£1,650	15/09/2022	£2,200
02/08/2022	£2,650	11/01/2023	£3,050
01/05/2023	£3,650	06/09/2023	£4,300

After Mr C complained to NewDay, it upheld his complaint in part saying it was wrong to increase the limit on his Marbles card beyond £1,650 and on his Aqua card beyond £1,200. So it would refund all interest and charges applied to balances above these amounts.

Mr C thought all the lending was irresponsible and so he brought his complaint to this service.

Our investigator found NewDay's settlement offer to be fair and that based on the available evidence NewDay was not wrong to open either card, nor to give the first increase on the Marbles card.

Mr C disagreed with this assessment and asked for an ombudsman's review so the complaint was passed to me. I will focus here on the lending decisions that remain in dispute – the account openings and the first limit increase on the Marbles card.

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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr C was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr C, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate

checks at the time of Mr C's card applications and limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown. I have also considered if NewDay acted unfairly towards Mr C in some other way.

When Mr C applied for both credit cards NewDay asked about his gross annual income and employment status. It carried out a credit check to understand his credit history and existing credit commitments. When NewDay increased Mr C's limit it reviewed his account history and his external credit management. I note it also verified his income by looking at his current account turnover at the credit reference agency. I think these checks were proportionate. I'll explain why.

Marbles card – account opening and first limit increase

Mr C declared a net monthly income of £2,967 and had only £500 in existing debt. There was some adverse data on his file – two defaults, but the most recent was 25 months ago and the total value was low (£200) so I don't think that was a reason not to lend. When NewDay increased his limit it saw his debt had increased but was still very low at £1,000. He had cleared his balance on the card in full and on time each month and never used it for cash withdrawals. So given his income level relative to a sustainable monthly repayment of 5% of total limit, I don't think NewDay needed to do more and its lending decisions were fair.

Overall I am satisfied it was not wrong for NewDay to open the account for Mr C, nor to increase its limit to £1,650.

Aqua card – account opening

Mr C declared a net monthly income of £3,340 and his debt had increased to £25,800. There remained some adverse data on his file – by this date one default from 47 months ago worth £100 but I don't think that was a reason not to lend. And whilst there was a substantial increase in his debt level since 2020, it seemed he was managing it well with no missed payments. His Marbles card at this date was not showing any potential signs of financial strain – such as overlimit fees, late payments or use for cash withdrawals. So, overall, given Mr C's income level and the limit of £1,200 (that would require a monthly repayment of £60 if the full limit was used in order to sustainably repay the balance) I think it was fair for NewDay to open the account.

It follows I find NewDay's offer to Mr C to refund all interest and charges applied to balances over £1,650 and £1,200 on the Marbles and Aqua cards respectively to be a fair outcome.

As the investigator said, NewDay is entitled to use any refund to first reduce any outstanding balances. I would add that once Mr C settles any outstanding balances any adverse information recorded from the dates of the upheld limit increases onwards should be removed from Mr C's credit file.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 July 2024.

Rebecca Connelley
Ombudsman