

The complaint

Mr C complains that NewDay Ltd acted irresponsibly when lending him money.

What happened

Mr C applied for his first account with NewDay in December 2014 and an Aqua card account with a limit of £100 was agreed.

In March 2016 Mr C applied for a second account with NewDay and a Marbles card account with a limit of £600 was agreed. It is this Marbles card account that Mr C complains about.

Mr C accepted the terms and conditions of the Marbles account and made use of the available credit.

The last payment on the account was received by NewDay in December 2017. No more payments were received by NewDay, so they followed their debt collection procedures. NewDay say they tried to contact Mr C about the account, but didn't receive a response. Due to the lack of payments, and non-response from Mr C, the account was terminated in May 2018 and sold to a debt collection agency later in the same year.

In mid 2019 Mr C complained to NewDay saying they acted irresponsibly when agreeing to give him the Marbles account. New Day explained the Marbles account was aimed at those trying to rebuild their credit rating so it was not unusual to see customers with a poor credit history open an account. NewDay say they considered income information Mr C had supplied, as well as his credit history when agreeing the account, and feel the £600 limit was appropriate.

Mr C remained unhappy and brought his complaint to our service. As a resolution Mr C wants NewDay to refund all fees and charges on both accounts.

One of our investigators looked into what happened. She explained that we expect lenders to carry out reasonable and proportionate checks when making a lending decision. She was satisfied NewDay had done this when agreeing the £600 limit on the Marbles card account. She also explained that some lenders accept applications where there is negative credit file information. Mr C maintained that the lending was irresponsible so the complaint has come to me for 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.

As our investigator explained, when making lending decisions we expect businesses to make reasonable and proportionate checks. There's no exhaustive list of what those checks should be. This wouldn't be possible due to the number of different financial products available, and with each lender deciding their own appetite for risk.

The kind of things I expect lenders to consider include, but are not limited to; the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well the consumer's personal circumstances.

NewDay says that when Mr C applied for the Marbles card account he told them he had an income of £19,000 and unsecured debts of £400. NewDay did a credit search which showed no arrears with other lenders, and no payday loan information that year. There was one previous default on the credit file, and one public record; both of which were more than five years old. New Day also looked at the conduct of Aqua card account. In the last three months there were no late or over limit fees, Mr C was making more than the minimum repayments, and the account was below the agreed limit. Taking everything into account NewDay said Mr C met the criteria for a Marbles card account and agreed a limit of £600.

I'm satisfied NewDay conducted reasonable and proportionate checks before agreeing the lending. They took into account the kind of things I would expect them to, and made a lending decision accordingly. I'm happy NewDay also thought about the sustainability of the debt and set a limit they thought was appropriate considering what the monthly repayment would be on the account.

Mr C feels this isn't the case saying he had been struggling with account he had, and that his credit file showed defaults and missed payments.

There is no doubt Mr C's credit file showed missed payments and defaults, but having negative credit information doesn't mean it was wrong of New Day to give him an account. As NewDay explained to Mr C, the Marbles card account is designed for people looking to rebuild their credit rating. NewDay is allowed to decide its own lending policy and its appetite for risk, which includes allowing for missed payments and defaults on a credit file.

I'm sorry to hear that Mr C is experiencing financial difficulties. In their final response letter NewDay gave the contact details for some organisations that might be able to assist Mr C.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 20 May 2020.

Warren Wilson
Ombudsman