

## **The complaint**

Mr R complains that NewDay Ltd (NewDay) acted irresponsibly by increasing his credit limit.

## **What happened**

Mr R applied for and was approved for a credit card with NewDay to help improve his credit file. NewDay accepts customers with some negative financial information and markets its product as a way of helping customers to improve their credit file.

The credit limit on his card was £900. Over a two-year period NewDay wrote to Mr R offering increases to his credit limit. In its letters, NewDay told Mr R to contact it within 30 days if he didn't want the increase. The letters also said that Mr R should consider his ability to repay before deciding. Mr R didn't reject the increases and his credit limit was £5200 when he contacted NewDay to complain.

Mr R complained to NewDay saying it acted irresponsibly by increasing his credit limit when it should've been aware of his financial difficulty. As a result, he experienced undue stress and had to take out loans to cover the payments. He says NewDay took longer than eight weeks to reply.

NewDay acknowledged that it took three weeks longer to reply to Mr R's complaint than it should've done. However, because Mr R didn't reject the offers, or ask it to stop offering increases, NewDay thought the increased credit limits were affordable based on the information it held.

Our investigator didn't uphold the complaint. He thought that NewDay had completed all the necessary checks before offering the credit limit increases and there was no evidence that Mr R had used the card in a way which would've caused concern.

Mr R didn't agree. He thought NewDay should've completed additional affordability checks before applying increases to his account.

The complaint was passed to me to decide.

## **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.

I'm sorry to hear about the financial difficulty Mr R has found himself in. While I can sympathise with him, I've decided not to uphold his complaint. I'll explain why.

There's no dispute about NewDay approving Mr R's original application for the credit card, and I understand he wanted the card so that he could improve his credit file. The key issue of complaint is that NewDay repeatedly increased his credit limit without taking into consideration his financial situation. There are rules and best practice guidelines that

NewDay must follow when deciding to increase the credit limit, so I have looked at whether it acted in line with them.

Before offering a credit limit increase, NewDay should've considered how the increase might affect Mr R's financial situation by looking at the information it already had, whether it was likely Mr R could make the payments, and information held by credit reference agencies. NewDay provided evidence of the information it used to complete these checks and, more recently, copies of the monthly statements. Mr R provided me with a copy of his credit report. Having looked at the information, I'm satisfied that NewDay wouldn't have known that the increases it offered might've adversely affected Mr R's financial situation. So it seems to have made the offers in line with the guidance.

The guidelines say that NewDay should give Mr R the opportunity to reject the increase and the terms and conditions of the account reflect this. I've seen the letters it sent before each increase giving Mr R 30 days to reject its offer. The letters also advise Mr R that he can ask NewDay not to send any further offers. Mr R doesn't dispute receiving the letters or being aware of the option to reject but he says it's too easy to accept the offers. I can understand this, but it was still open to him to ask NewDay to stop sending offers so there wouldn't be any temptation. Mr R didn't reject the offers or ask it to stop sending them, so it was reasonable for NewDay to assume he could afford to pay. I don't think it did anything wrong here.

There are rules about when a business shouldn't offer a credit limit increase but, having looked at the information NewDay provided, I'm satisfied that Mr R didn't meet the criteria. For example, his account was not in arrears, or over the credit limit. While Mr R says it should've been clear that he was in financial difficulty, I don't think his account indicates that. I've seen that he paid more than the minimum payment on a regular basis, at times he paid the balance in full, and there was just one late payment fee. At no point leading up to his complaint did he exceed his limit. I don't think NewDay acted unreasonably by sending the offers.

Mr R thinks that NewDay should've seen that he:

- always used the card up to the limit;
- took cash advances, and
- had lots of other credit cards, store cards and loans.

And he thinks NewDay didn't take account of his spending habits or offer support when he went over the limit or missed payments.

NewDay has a record of Mr R's financial commitments. But it actively promotes its product to people who wish to improve their credit file, so the presence of negative records in his credit file wouldn't necessarily have been reason for it not to offer a credit limit increase. That said, there was no evidence of default, payment plans or court action on Mr R's file anyway.

Looking at the way Mr R used his credit card, I haven't seen anything which might've caused concern before NewDay offered the credit limit increases - his spending didn't appear to be unusual. In the week immediately before NewDay's final offer of a credit limit increase, Mr R incurred cash advance fees. But the fees were for online transactions rather than cash withdrawals so, again, in context of the overall circumstances here, I can see why NewDay may not have viewed these as a reason not to offer a limit increase.

I've looked at the information on Mr R's credit file around the times that NewDay offered the credit limit increases. The credit history doesn't look unusual – a couple of five-year loans

paid up to date and some credit cards. There are very few late payments evident and only a small number of cash advances on the credit card history.

I'm aware that Mr R thinks NewDay shouldn't have offered the credit limit increases knowing he had loans, store cards and credit cards. But his credit file indicates that he was managing his credit, and it was always open to Mr R to reject the offers.

Mr R has gone into some detail about how he was conducting his account at the relevant times here. He's also told us (and NewDay) more about his financial position at this time too. But I must be fair to both sides and I don't think the evidence I've seen reflects Mr R's view of his account. So, I don't think there's any clear evidence that NewDay should've been aware of to indicate Mr R was in any financial difficulty.

Mr R says NewDay didn't offer him any support and it took longer than eight weeks to reply to him. I've seen its response to Mr R in which NewDay gives contact details for various organisations providing debt advice. It also offered its own customer support team details. But there's no record that Mr R ever contacted NewDay about needing support before that. NewDay offered the support details as soon as it became aware that Mr R felt he was in financial difficulty. Up to that point it wasn't aware of any problems, so I can't say that it acted unfairly by not providing the details sooner.

NewDay acknowledged that it didn't respond as quickly as it should've done, and it apologised to Mr R. I'm satisfied that this is a reasonable outcome and I don't think NewDay needs to do any more.

To resolve his complaint, Mr R would like NewDay to acknowledge that it acted irresponsibly, made his credit file worse, and failed to respond to his complaint promptly. He would also like NewDay to offer support to reduce his debt and refund all interest payments and fees since the first credit limit increase onto his card to reduce his debt. As I've explained above, I don't think NewDay has done anything wrong. It has stopped any further increases being offered on the account, which I think is a positive outcome. It also declined Mr R's application for a further credit limit increase which he made after he raised his complaint. I think that was a fair thing to do in the circumstances.

### **My final decision**

For the reasons given above, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 6 October 2020.

Debra Vaughan  
**Ombudsman**