

The complaint

Miss S complains that NewDay Ltd irresponsibly allowed her to open a credit card account that was unaffordable.

What happened

Miss S says she opened the account in 2016 but says NewDay didn't carry out sufficient checks on her income and outgoings. She says she was unemployed at the time and had other credit that should have been considered. Miss S says she would like interest and charges refunded and any adverse data removed from her credit file. And says it ought to have been clear to NewDay that the lending was unaffordable and so irresponsible.

NewDay says it carried out appropriate checks and says Miss S told it she was working. It says she didn't have any record of arrears or defaults on her credit file and says it tried to help Miss S when she told it about financial difficulties in March 2017. NewDay says it gave Miss S a relatively low credit limit of £300 and says in any event it doesn't matter if Miss S was in employment or not.

Miss S brought her complaint to us but our investigator didn't uphold it. The investigator thought NewDay had carried out appropriate and proportionate checks before approving Miss S's application. The investigator also thought Miss S didn't appear to have any adverse information recorded on her credit file and that the credit limit of £300 was relatively modest. The investigator thought any charges or interest were applied in line with the account terms and conditions.

Miss S doesn't accept that view.

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. Having done so, I have come to the overall view that NewDay has not acted unfairly or lent irresponsibly.

I have looked at NewDay's records and can see that Miss S told it she was earning about £12,000 and in part-time work. I'm satisfied that NewDay carried out reasonable and proportionate checks on Miss S's application and that she didn't have any adverse data recorded on her credit file such as a default or accounts in arrears. I think the credit offer of £300 was relatively low and I'm satisfied that appropriate checks were carried out. I also think that Miss S ought to have provided accurate information and don't think for a relatively low credit amount that NewDay ought to have carried out a more detailed credit assessment.

I can see that Miss S used her account but it was some months later that she told NewDay about her financial difficulties. I think on balance that suggests the lending was affordable at the time the credit card account was opened in September 2016.

I'm satisfied Miss S agreed to the account terms and conditions when the account was first

opened. And I'm also satisfied that NewDay was entitled to make charges and charge interest where for example there was a late payment or missed payment. So I don't think NewDay made a mistake in applying interest or making charges in these circumstances and it follows that I can't fairly order NewDay to refund them.

Lenders should treat its customers positively and sympathetically when in financial difficulties. I think NewDay acted in such a way here and can see that it agreed a repayment plan with Miss S and provided her with details of organisations that could have helped her.

Overall I'm satisfied the lending in this complaint was not irresponsible. It was for a relatively small amount for which proportionate checks were carried out.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 5 September 2020.

David Singh
Ombudsman