

The complaint

Mr M complains that NewDay Ltd trading as Marbles Card irresponsibly allowed him to open a credit card account that was unaffordable.

What happened

Mr M says he opened the Marbles account in 2015 and at that time was in significant debt. He says that ought to have been obvious to Marbles and its lending was irresponsible as well as its decision to increase his credit limit from £900 to £2,300. Mr M says he had a number of other credit card accounts and had reached the credit limit on them. He says he also had loans and had a gambling problem which meant he was withdrawing cash. Mr M would like any charges and interest refunded and any adverse information removed from his credit file.

Marbles says the account was opened in November 2015 and offered Mr M the credit limit increase in May 2016 which he could have rejected. It says it carried out appropriate checks on Mr M's credit file which showed he didn't have adverse information such as arrears or defaults. And took into account Mr M declared income of £35,000. Marbles says it is up to Mr M how he uses the account and is entitled to use it to withdraw cash. It says it tried to help Mr M when he told it about financial difficulties and correctly reported the account position to the Credit Reference Agencies (CRA's) some years later when a default was registered.

Mr M brought his complaint to us and our investigator didn't uphold it. The investigator thought Marbles had carried out appropriate checks on the application and was entitled to consider the lack of adverse information on Mr M's credit file such as a default or arrears on other credit accounts. The investigator thought Mr M could have rejected the credit limit increase and thought Marbles had acted positively and sympathetically when told about Mr M's financial difficulties.

Mr M doesn't accept that view and in summary says Marbles didn't consider how he used the account before the credit limit increase and also wrote to him as he exceeded his first credit limit within months of opening the account.

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 I don't uphold this complaint. I appreciate Mr M will be disappointed by my decision.

Lenders should carry out reasonable and proportionate checks on any credit application. Those checks will vary depending on the type of lending, for example a mortgage application will result in a more detailed check than for example a credit facility such as a credit card. I can see that Mr M applied for the account and declared an income of £35,000 and that Marbles looked at his credit file. I have looked at the information available to Marbles and I'm satisfied that Mr M didn't have any adverse information recorded on his credit file such as

defaults, arrears or County Court Judgements. I appreciate Mr M had other credit card accounts, but I think they appeared to be appropriately managed and can see his overall debt was about £17,000 which I don't think excessive in the circumstances. So, I'm satisfied that Marbles carried out reasonable and proportionate checks on Mr M's application and I think was reasonably entitled to conclude the lending was affordable. I'm also satisfied that Marbles approved a relatively low credit limit of £900.

I appreciate Mr M says he had a gambling problem, but I don't think Marbles could have known about that when it approved the lending. And I think when the account was opened it was up to Mr M to decide what he used the account for.

The credit limit was increased in May 2016. I accept Mr M had exceeded his credit limit by what I think was a relatively small amount on occasions. But I also think that Marbles was entitled to consider how Mr M managed his account and that he made appropriate payments. I don't think that the decision to increase Mr M's credit limit was irresponsible and also think that Mr M managed the account appropriately for some time after 2016 which provides further evidence that at the time the lending was affordable.

Lenders should treat customers in financial difficulties positively and sympathetically. I appreciate Mr M doesn't complain about how Marbles treated him when it was told about his financial difficulties. But I make clear that I think Marbles did act appropriately and fairly by agreed a repayment plan before taking the decision to default the account.

I find that Marbles must accurately report the position of Mr M's account to the CRA's which is what I think happened here.

Overall, I'm satisfied Marbles appropriately assessed Mr M's application and didn't act irresponsibly by opening the account and later increasing the credit limit. I'm also satisfied any charges or interest were applied in line with agreed account terms and conditions. For those reasons I can't fairly order Marbles to refund any of the charges or interest.

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 Mr M to accept or reject my decision before 14 March 2021.

David Singh
Ombudsman