

The complaint

Mrs E complains that NewDay Ltd (trading as Marbles) raised her credit limit repeatedly when she held a credit card with it. She said this was irresponsible lending.

What happened

Mrs E said her credit limit had been increased irresponsibly on a card she held with NewDay. She said the increases sometimes happened after a late payment. And she said that she had another card with NewDay, so she thought it knew about her spending. Mrs E said the increased credit limit had contributed to her financial difficulties. And she had raised this with NewDay quite some time ago, but it hadn't responded to her concerns.

NewDay said Mrs E took this card out on 19 April 2017. She passed its credit checks then. She was then given credit limit increases as followed –

- offer dated 25 September 2017, of increase from £450.00 to £1,350.00. This took effect on 30 October 2017.
- offer dated 26 January 2018, of increase from £1,350.00 to £2,100.00. This took effect on the 6 February 2018.
- offer dated 22 June 2018, offering increase from £2,100.00 to £3,300.00. This took effect on 6 July 2018.

Because all of these increases took effect less than 40 days from being offered, NewDay thought it was likely Mrs E called NewDay to ask for the increase to be implemented, rather than waiting for it to go up automatically within 40 days of the date on the offer letter.

NewDay said it knew that Mrs E had charges for a late payment fee in the six months prior to two of her credit limits being increased. But NewDay said that didn't rule customers out from an increase, unless they were paying late in each of the three months leading up to the increase, which wasn't the case for Mrs E.

NewDay said it had looked at this lending again, and it still thought it had lent to Mrs E responsibly.

NewDay said that a reduced payment arrangement was agreed on 24 January 2019 for £11.69. In February 2019 Mrs E told NewDay she was in financial hardship, because of a change in her income.

On 4 March, a debt management charity put forward an offer of £1.00 per month on Mrs E's behalf. NewDay said it was writing to Mrs E throughout this time. On 18 June NewDay wrote to her to say it was going to register a default on her credit file. On 31 July 2019, the account was sold to a third party debt collector, and the default was recorded on Mrs E's credit file. NewDay said it was sorry that it hadn't replied to Mrs E's complaint sooner. But it didn't think it had done anything wrong.

Our investigator thought this complaint should be upheld. He said he hadn't looked at Mrs E's other NewDay account, as that was separate to this complaint. He felt that the initial credit limit on this card was acceptable, and the first credit limit rise in September 2017 was

also acceptable. The January 2018 offer was also acceptable. But the June 2018 offer came after a series of late fees. Mrs E had paid late five times in a six month period. So our investigator didn't think a credit limit increase offer should've been made straight after that.

He said that NewDay should refund all interest and charges from July 2018 onwards, and should amend Mrs E's credit file.

NewDay didn't agree with that. It said that Mrs E's payments were just slightly late. And it said that she was able to maintain her monthly payments. So it didn't think it had done anything wrong by making the last offer of a limit increase. It said that it was only because of unforeseen circumstances, that Mrs E's income then reduced. But our investigator didn't change his mind. He still thought further checks were warranted before that third limit increase was offered, given the history of Mrs E's account just before then.

Because no agreement was reached, this case was then passed to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I've looked carefully at Mrs E's card, and also at the other card she held with NewDay. I think it's relevant to consider the conduct of both cards, as that's information NewDay had before it decided to lend Mrs E more money.

I agree with our investigator that it wasn't irresponsible for NewDay to offer Mrs E a credit card, or to offer her the first two limit increases on that card. I don't think that there were signs then that should've made NewDay think such lending would be irresponsible.

But, like our investigator, I also think that the third increase ought not to have been made without further enquiries. I don't agree with NewDay that there is no cause for concern if Mrs E makes five of the preceding six monthly payments late, even if those payments are larger than the minimum required. I also note that if NewDay had done further investigations into Mrs E's credit file at that time, it would've found that Mrs E had taken a very sizeable loan earlier that year. So it seems less likely that, if NewDay had looked closely at Mrs E's financial position, this additional lending would still have been made.

However, I'm suggesting a different award in this case to our investigator. I think that NewDay should refund all the charges on this account from 6 July 2018. I also think that NewDay should refund all interest on lending above the previous credit limit, of £2,100, from 6 July 2018. That's because I think the previous limit increase was reasonable, but the 6 July increase wasn't. This money should be refunded onto Mrs E's existing debt. If that debt has been repaid, then this refund should be paid to Mrs E, plus 8% simple interest from the date the charges or interest were incurred.

I do think that NewDay's third limit increase should not have been made, and it meant things were even more difficult for Mrs E, when she later ran into financial difficulties. So I think NewDay should pay Mrs E £100 in compensation.

But I don't think that NewDay does have to amend Mrs E's credit file. I understand, from Mrs E's other card account, that she was having serious financial difficulties in 2019. Because of that, I think that this account would still have defaulted, even if the third credit limit increase in 2018 hadn't been made.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Mrs E said she had nothing to add. NewDay didn't reply.

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 haven't changed my mind. I'll now make the decision I originally proposed.

Putting things right

Your text here

My final decision

My final decision is that NewDay Ltd (trading as Marbles) must do the following -

- refund all the charges on this account from 6 July 2018.
- refund all interest on lending above the previous credit limit, of £2,100, from 6 July 2018.
-

This money should be refunded onto Mrs E's existing debt. If that debt has been repaid, then this refund should be paid to Mrs E, plus 8% simple interest from the date the charges or interest were incurred.

NewDay Ltd must also pay Mrs E £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 30 November 2020.

Esther Absalom-Gough

Ombudsman