

The complaint

Mr M complains that NewDay Ltd (NewDay) regularly increased his credit card limit when it should've been apparent that he wasn't able to afford the additional debt.

What happened

The history of this complaint is well known to both parties, so I've summarised events below.

- Mr M opened a credit card account with NewDay in 2013 and the initial credit limit was £100. This limit was increased incrementally over several years, reaching £1,650 by October 2015.
- In May 2016 there was one increase of the limit to £2,450. Then across 2017 there were two further limit increases, bringing the total to £4,450.
- Mr M says this lending was irresponsible and unaffordable, and it led him to fall behind with payments and eventually led to him entering a repayment plan.
- Mr M complained to NewDay and asked it to reconsider the interest and charges it had applied. It disagreed, saying it hadn't been told of any financial difficulties, and it had acted fairly when increasing the credit limit and applying interest and charges.
- Our investigator considered the complaint and upheld it. She felt NewDay's offer and agreements to increase Mr M's credit limit from May 2016 onwards were inappropriate. She said NewDay should refund any interest and charges from the date of this increase.
- Mr M accepted our investigator's findings but NewDay didn't. It reiterated the increases were in line with its lending criteria and Mr M's circumstances were considered. And it didn't agree it was responsible for any financial difficulties Mr M had experienced.
- As NewDay disagreed, the complaint was passed to me for a final 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.

Having done so, I'm upholding the complaint for the same reasons as the investigator. I'll explain why:

- The relevant rules and guidance from the Financial Conduct Authority's (FCA) Consumer Credit sourcebook required NewDay to undertake a reasonable assessment of Mr M's creditworthiness each time they increased his credit card limit, particularly where cumulative credit increases are significant, as they are here.
- NewDay has its own processes and approach to risk when providing credit, but I have to consider whether it has met the requirement of undertaking a reasonable assessment in these particular circumstances.

- In line with the above rules, I've looked at whether NewDay reasonably considered the information it held for Mr M, his ability to make repayments each month, any information it could obtain from credit reference agencies and his credit file.
- I agree with our investigator's findings, and I'm satisfied NewDay responsibly provided the credit card in 2013, and subsequent increases up until May 2016 were reasonable. Mr M has accepted this so I won't repeat the details again here.
- So I've considered NewDay's actions from this point onwards. And whether it carried out a reasonable assessment of Mr M each time it increased his card limit.
- In May 2016 NewDay contacted Mr M and offered to increase the limit further. From this point, the credit card exceeded its limit in each of the next five months. Then in April 2017, NewDay agreed to an increase of £1,000. And around four months later, NewDay agreed to increase the limit by a further £1,000. I think Mr M's requests for increases were happening more frequently than I'd normally expect to see, which suggests a dependency on the credit card facility.
- NewDay was aware Mr M had a payday loan from March 2016 but as the loan hadn't gone into arrears or defaulted, it said it didn't affect its lending decision. I think this financial commitment should've been considered further by NewDay in the circumstances as it suggested a dependency on this lending.
- From the figures NewDay have provided, it appears each time the credit limit was increased, this increase was then spent as a 'cash spend'. I think this, combined with the frequency of the limit increases, ought to have highlighted to NewDay that Mr M was either requiring the money to support his day to day living or pay other bills with the cash.

Overall, whilst I acknowledge the NewDay's increases from May 2016 may have been in line with its own lending criteria, I'm not satisfied *sufficient* checks were carried out in the specific circumstances of this cases. I say this in light of the reasons I've given above and Mr M's card usage around this time which showed near or over the limit balances.

My final decision

For these reasons I'm upholding this complaint. And NewDay Ltd must do the following.

- Refund all interest and charges payments from May 2016 onwards to the credit card debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 April 2021.

Jack Baldry
Ombudsman