

The complaint

Mr J complains that NewDay Ltd trading as Marbles (Marbles) lent to him irresponsibly.

What happened

Mr J applied for a Marbles credit card and this was issued in May 2016 with a limit of £300. In September 2016, the limit was increased to £950. In February 2018 the debt was passed to a debt collection agency and then sold to a debt purchaser in February 2019.

Mr J complained that he shouldn't have been given the card in the first place. He had other debts with late payments and defaults were showing on his credit file. He now had adverse markers on his credit file.

Marbles said they'd lent responsibly. Mr J's application said he had income of £13,000 per annum, and other income of £40,000, with no other unsecured debt. There were no arrears showing. There were defaults on his credit file, but these were 30 months old. He was given the option of opting out of the offered increase in limit to £950 but didn't. He hadn't contacted them to say he was in difficulty. His debt was sold to a debt purchaser in February 2019. The entries on Mr J's credit file were an accurate reflection of what happened.

Mr J brought his complaint to us. Our investigator said that Marbles hadn't lent responsibly. He thought the issue of the card in the first place was OK. But the increase in limit to £950 wasn't. Marbles should've considered the three defaults, even though the last one was 30 months old. She noted that the account went over its limit quickly after the card was issued, and a late payment fee was charged in September 2016. Following the increase in limit to £950 in September 2016, Mr J exceeded the limit six times in the next 12 months and incurred late payment fees in seven months. Marbles shouldn't have increased Mr J's limit. They should therefore refund interest and charges from September 2016, until the debt was sold to the debt purchaser. And pay 8% simple interest on interest and charges. Any adverse information on Mr J's credit file should be removed from September 2016 onwards.

Marbles disagreed and asked that Mr J's complaint be looked at by an ombudsman.

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.

Mr J says he shouldn't have been given the card in the first place and because of this, and the subsequent limit increase, he had a debt he couldn't repay. And his credit file had been marked. Marbles say that he met their credit risk criteria. The defaults were 30 months old – which was ok. And, he didn't decline the offered increase to £950.

All lenders have an obligation to lend money responsibly. We have to check whether Marbles acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the

customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

I've looked at Mr J's original application. It says he was a student, living with parents and with an annual income of £13,000 – with "other income" of £40,000. To me, this looks as if Marbles should've asked questions – students don't, in general, have an annual income of this amount – unless it was Mr J's student loan which he was referring to. But – questions should've been asked. I can also see there were two payday loans recorded by Marbles – again, I'd have expected these to have been looked into – as they weren't consistent with Mr J's stated income or his living with parents. The purpose of the card – stated as to "lower my bills" might also have caused Marbles to ask questions – it could've meant he was struggling with other debts. But, on balance, I agree that it was probably OK to issue the card, with a relatively modest limit.

By the time of the increase – in September 2016 – I can see that Mr J had almost immediately borrowed up to the original limit of £300 and incurred a late payment fee. So that - coupled with the previous information they'd at the time of the opening of the account - suggests to me that Marbles should've asked questions of Mr J before increasing the limit. But they didn't.

The effect of what happened was that Mr J fell into arrears – and a Default Notice was sent to him in January 2018. In February 2018, the debt was passed to a DCA to manage agreed repayments, but Mr J didn't meet these. In February 2019, the debt was sold to a debt purchaser.

Putting things right

I think that Marbles shouldn't have increased Mr J's limit to £950 in September 2016. So, I agree with our investigator that Mr J should be put back in the place he was in at that time. Marbles should therefore refund all interest and charges debited to Mr J's account since September 2016. And remove any adverse information advised to credit reference agencies since September 2016. And he should also receive 8% per annum simple interest on the interest and charges he's paid since then – I note that he's missed a lot of payments since that time, so the benefit of that may be limited.

My final decision

I uphold this complaint.

NewDay Ltd trading as Marbles must:

- Refund all interest and charges on borrowing since September 2016. This should be credited to Mr J's debt with the debt purchaser.
- Pay 8% per annum simple interest on charges and interest since September 2016 – where Mr J has paid these. This should be credited to Mr J's debt with the debt purchaser.

- Remove any adverse information advised to credit reference agencies since September 2016.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 May 2021.

Martin Lord
Ombudsman