

## **The complaint**

Miss M complains that NewDay Ltd irresponsibly allowed her to open two credit card accounts which were unaffordable.

## **What happened**

Miss M says she opened two NewDay accounts. The first was opened in 2014 and credit limit increases were applied until the account was closed in 2016. The second account was opened in 2017. Miss M says the lending was unaffordable as she had a gambling problem. She would like any charges and interest refunded as well as any adverse information removed from her credit file. And 8% interest added to that refund.

NewDay says it acted fairly by opening both accounts and carrying out appropriate checks, but it accepts in respect of account one that it shouldn't have increased the credit limit. It has refunded interest and charges but says it will not remove any adverse information from Miss M's credit file and will not pay the interest.

Miss M brought her complaint to us and our investigator thought appropriate and proportionate checks were carried out when the accounts were opened. But as NewDay accepted the credit limit increases on account one were inappropriate then it should pay 8% interest on the refund of charges and interest. The investigator also thought any adverse information should be removed from Miss M's credit file.

NewDay doesn't accept that view and says the refunds were offered as a goodwill gesture rather than as a result of a mistake. It says no adverse data was recorded on Miss M's credit file.

Miss M accepts the investigator's 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 I uphold this complaint in part.

Lenders should carry out reasonable and proportionate checks on any credit applications or on any later decisions to increase the credit limit.

There is no real dispute here by Miss M or NewDay that such appropriate checks were carried out when both accounts were first opened. And I make clear that I agree that such checks were carried out and the initial lending decisions on both accounts were appropriate and the offered credit limits relatively low.

I have looked carefully at NewDay's final response letter and I'm satisfied it accepted it shouldn't have allowed the credit limit increases and fairly refunded the interest as well as the charges. I find that letter made no mention of them being refunded as a goodwill gesture or that the letter suggested NewDay hadn't made a mistake. I think NewDay was clear in

that response and I don't sure why it now says the payments were as a gesture of goodwill or that it may not have made a mistake. I make it clear that I think NewDay accepted it made a mistake and I agree with its original decision that the credit limit increases were unaffordable.

The only real question for me to consider is if NewDay should do anything further to put matters right. This service takes the view that, where as in this case interest and charges are refunded to customers, simple interest at 8% should also be paid. I can see no reason why NewDay shouldn't pay that interest in circumstances where it accepted it made a mistake.

The investigator recommended the interest should be paid from August 2020 which Miss M agrees to and so I will not interfere in that calculation. I appreciate NewDay says no adverse information was reported on Miss M's credit file and so I will not make an order in respect of that. I don't think Miss M has provided evidence of any such adverse information in any event.

### **Putting things right**

NewDay should pay 8% simple interest on the refunded balance of £589.28 from 19 August 2020.

### **My final decision**

My final decision is that I uphold this complaint in part and order NewDay Ltd to pay Miss M 8% simple interest on the refunded amount from 19 August 2020 until payment is made. If NewDay Ltd is required to pay tax on that amount to Her Majesty's Revenue and Customs, then it should provide Miss M with a certificate of that deduction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 10 June 2021.

David Singh  
**Ombudsman**