

## **The complaint**

Ms K complains that NewDay Ltd lent irresponsibly when it approved two credit cards and increased her credit limit.

## **What happened**

Ms K applied for a credit card (card 1) with NewDay in October 2016 and was given a £500 credit limit. In Ms K's application, she told NewDay she was employed and earned around £1,250 a month. NewDay completed a credit search and says it found Ms K owed around £600 to other creditors with no adverse information found.

Over the following period of around 18 months Ms K maintained her payments but exceeded her credit limit ten times. In May 2018 NewDay increased Ms K's credit limit to £1,300. NewDay says it took her account history and credit file information into account. In June 2018 Ms K exceeded her credit limit.

In August 2018 Ms K applied for another credit card (card 2) with NewDay and it approved a credit limit of £900. In the application, Ms K told NewDay she earned around £1,600 a month. NewDay completed another credit search and found Ms K owed around £5,200 to unsecured creditors with no adverse information found.

In November 2018 Ms K told NewDay she was experiencing financial difficulties and was referred to a third party debt advice charity. Ms K's accounts were placed on hold. In January 2019 NewDay agreed to accept reduced payments to each credit card. The first credit card was terminated in January 2019 which meant no further interest was charged. NewDay has confirmed no default was reported. Ms K's second credit card was terminated in April 2020 and NewDay has confirmed no default was reported.

In June 2020 Ms K complained that NewDay had lent irresponsibly. NewDay said it had lent responsibly for card 1 but upheld Ms K's complaint about card 2. NewDay refunded interest and charges it had applied to the account.

Ms K referred her complaint to this service and it was passed to an investigator. They thought NewDay had lent irresponsibly when it increased Ms K's credit limit on card 1 and, a short time later, approved the application for card 2. The investigator asked NewDay to refund interest and charges applied above £500 to card 1. They also asked NewDay to remove any adverse information reported about both cards. NewDay didn't accept and asked to appeal so Ms K's complaint has been passed to me to make a 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.

As there are two credit cards involved in this case I'll look at each in turn. Ms K complains that NewDay lent irresponsibly when it increased her credit limit from £500 to £1,300 in May 2018. Before a lender increases a credit limit it needs to consider whether the borrowing is

sustainable for its customer. There's no set list of checks a lender has to complete. In this case, NewDay says it considered the original information Ms K had provided in her application, the account history and information on her credit file. NewDay says the increase was in line with its lending policy.

I've looked at the information NewDay considered but I haven't been persuaded it carried out proportionate checks. I say this because Ms K's account history she had exceeded her credit limit around 10 times in the period leading up to May 2018. Whilst the account was always brought back within the £500 credit limit, I think that shows signs Ms K was having difficulty managing the account. The credit limit increase was reasonably large, going from £500 to £800. Whilst Ms K was employed, her income was fairly modest. The credit file information NewDay has provided shows the number of credit commitments had increased substantially, from two to nine. I also note Ms K was quick to utilise her full credit limit.

In my view, these factors should've caused NewDay to carry out more proportionate checks before deciding whether to increase the credit limit or not. And, had NewDay carried out more comprehensive checks, I don't think it would've offered Ms K the credit limit increase from £500 to £1,300. I say this because the available information shows Ms K's position was becoming unmanageable and the level of unsecured borrowing appears to have increased at an unsustainable rate.

As a result, I agree with the investigator that Ms K's complaint about the credit limit increase of card 1 should be upheld. I also agree that NewDay should refund all interest and charges applied to balances over £500. In addition, NewDay should remove any information it has reported on Ms K's credit file in relation to any balance over £500 (including any adverse information).

Card 2 was approved around three months after NewDay increased the credit limit on card 1. Given Ms K had only recently been given a substantial credit limit increase on card one within the previous few months I think NewDay should've carefully considered whether it was right to approve card 2 with a £900 credit limit. NewDay upheld Ms K's complaint and accepted it should've have approved this credit card. Like the investigator, I'm not persuaded NewDay carried out proportionate checks to ensure Ms K could afford to sustain repayments. And, had it done so, I think NewDay would've seen Ms K wasn't able to maintain repayments in the long term. I note Ms K gave NewDay a slightly higher income figure, but I think NewDay should've spotted the substantial increase in Ms K's unsecured borrowing. And I also note Ms K exceeded her new card 1 credit limit shortly before she applied for card 2.

NewDay has already refunded interest and charges to card 2. As I'm satisfied NewDay lent irresponsibly, I agree with the investigator that it should remove all adverse credit it has reported in relation to this account from Ms K's credit file.

### **My final decision**

My decision is that I uphold this complaint and direct NewDay to settle as follows:

- Refund all interest and charges applied to card 1 above balances of £500 from the date the credit limit was approved
- Remove all information reported about balances over £500 on Ms K's credit file for card 1
- Remove all adverse information reported to the credit reference agencies from the date of card 1's credit limit increase onwards
- Remove all information reported to the credit reference agencies in relation to card 2

- If NewDay can't amend the information reported in line with the above, it should stop reporting the credit cards on Ms K's credit file altogether

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 15 June 2021.

Marco Manente  
**Ombudsman**