

The complaint

Mr T complains that NewDay Ltd (trading as Marbles) irresponsibly increased his credit limit.

What happened

On 3 July 2015 NewDay approved Mr T's credit card application, giving him a credit limit of £250.

Mr T says he was struggling with other debts and financial commitments but kept up with his account payments until October 2015 when NewDay increased his credit limit from £250 to £1,250. Mr T didn't request this increase.

After the increase Mr T's account balance remained over his credit limit.

In January 2016 Mr T entered a debt management programme and NewDay accepted reduced repayments of £12.16 a month.

In July 2016 NewDay passed Mr T's debt to a third party, and a default was later registered against him.

In June 2020 Mr T complained to NewDay. He said it had given him this credit card even though he had a poor credit history. And it had increased his credit limit even though he was already in debt.

NewDay partially upheld Mr T's complaint. Whilst it didn't think it had acted irresponsibly when it accepted his initial credit card application, it said that it shouldn't have offered him the credit limit increase in October 2015. To put things right it refunded over limit fees and proportionate interest from this point, totalling £101.50.

Mr T wasn't happy with this response so he brought his complaint to our service. He wants NewDay to remove adverse information relating to this account from his credit file. He'd also like it to refund the difference between the £250 limit he was given when he first took out the credit card, and the increased £1,250 limit he was given in October 2015.

Our investigator looked into what had happened. He didn't think NewDay had acted irresponsibly when it gave Mr T the credit card. But agreed that it shouldn't have increased his credit limit from £250 to £1,250.

The investigator asked NewDay to remove adverse information from Mr T's credit file. And to pay Mr T £100 compensation for the trouble and upset he'd experienced as a result of the matter. However, he felt it was fair that Mr T should repay the balance of his account. And was satisfied that the amount of interest and fees already refunded by NewDay was fair.

Mr T accepted these findings, but NewDay didn't. It said it had reviewed the case again and the credit limit increase it awarded Mr T was in line with its lending policy at the time. It also

said it had an obligation to report accurate information to credit bureaus and declined to amend Mr T's credit file. So the case has been passed to me to make 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.

Our investigator set out the checks NewDay undertook before approving Mr T's initial credit card application in July 2015. So I won't repeat this information in detail here, other than to say that I'm also satisfied that these checks were reasonable and proportionate to the credit offered. I don't think NewDay had any reason to think that a low limit of £250 might be unaffordable for Mr T. And indeed Mr T managed his account well at this level.

The outstanding matters for me to decide are whether NewDay acted irresponsibly or unreasonably when it increased Mr T's credit limit from £250 to £1,250 in October 2015. And, if it did, what it should do to put things right.

NewDay previously seemed to uphold this part of Mr T's complaint. It said in its final response letter that it shouldn't have increased his credit limit. And it told us that the increase was proportionally high and noted that Mr T's account was consistently over the credit limit for the three months after the increase took place.

NewDay has now said that the credit limit increase was offered in line with its lending policy, and that it partially upheld Mr T's complaint based on the information it knew now. Not because it made an error at the time.

I know NewDay will be disappointed by my decision but I've reached the same conclusions that our investigator did here.

NewDay has explained that this type of credit card account is intended to help customers looking to rebuild their credit history. Mr T met its acceptance criteria and in July 2015 was offered a low limit of £250 that NewDay says it considered appropriate to his circumstances.

I've not seen or heard any evidence to suggest that Mr T's circumstances changed significantly between July 2015 and October 2015. And Mr T gave NewDay income and expenditure details in January 2016 that would suggest they hadn't.

I accept Mr T managed his account well for the short period he had it prior to 14 October 2015 when NewDay increased his credit limit. I can also see that Mr T was told about this increase in advance and could have acted to opt out of it. And I note NewDay has told us that Mr T met its lending criteria when it offered him this increase.

However, in the circumstances, I still can't see that NewDay has provided suitable justification for increasing Mr T's credit limit by as much as five-fold, within just over 3 months of him opening the account. I haven't seen any evidence to suggest it asked him for any updated information about his income, or for details of his monthly expenditure. And given what it knew about him, I think this would have been a reasonable and proportionate step for it to take before giving further credit.

I say this given Mr T's past credit history which I understand included 3 defaults, most recently within 18 months of his application. And the fact NewDay identified at the time of his application that he had a high level of indebtedness. I can also see NewDay had stated that Mr T had a low income.

Mr T has only been able to give us limited information about his circumstances at the time. But I can see in July 2015 NewDay recorded he had 8 other active accounts, and debt of £11,800 against an annual income of £17,000. These figures are similar to those Mr T gave to NewDay in January 2016 when it recorded he had a monthly disposable income of £126. Mr T has also explained his wife was unemployed, and they had two young children. So I'm satisfied that if NewDay had carried out more detailed checks it's unlikely it would have found that a credit limit of £1,250 was affordable for him.

I note that during in his application Mr T also told NewDay he had access to other household income of £10,000. But again there are no signs NewDay asked about where this came from. Or about any expenditure commitments other household members may have had.

Whatever the information showed at the time - Mr T clearly struggled following this credit limit increase. His account balance stayed over the limit before he agreed a reduced repayment arrangement through a third party in January 2016. I think this further supports Mr T's claims that the credit limit increase was unaffordable for him. And NewDay has also made reference to this.

Putting things right

NewDay has already refunded charges and proportional interest accrued on Mr T's account after October 2015, which I think was fair. And I think it's reasonable for Mr T to continue to repay the remaining principle balance on his account as he has had the benefit of spending the credit.

I accept NewDay has a duty to report on accounts accurately. It feels the credit history and default recorded is a fair reflection of Mr T's management of his account.

However, I've found that NewDay acted irresponsibly when it increased Mr T's credit limit from £250 to £1,250. Up until this point Mr T managed his account well and made the payments required. And it follows that I don't think it would be fair for Mr T's credit file to reflect the negative impact of NewDay's actions. So NewDay should seek to remove any adverse information recorded after 14 October 2015.

Our investigator also asked NewDay to pay Mr T £100 compensation for the distress and inconvenience its actions caused him and the difficulties Mr T has had trying to move to a new house, which he has told us are due in part to the adverse information recorded on his credit file. I think this was a reasonable request in the circumstances.

My final decision

For the reasons explained above, I am upholding this complaint and direct NewDay Ltd to:

- Remove any adverse information recorded after October 2015 from Mr T's credit file
- Pay Mr T £100 compensation for the distress and inconvenience caused by this matter. This compensation should be paid to Mr T directly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 8 July 2021.

Jenette Lynch

Ombudsman