

## **The complaint**

Mr T complains that NewDay Ltd trading as Marbles lent irresponsibly when it approved his credit card then increased the credit limit a few months later.

## **What happened**

In September 2018 Mr T applied for a credit card with Marbles. The application said Mr T lived with his parents and didn't give details of a job. Mr T gave an income of £5,220.

Marbles looked at Mr T's credit file and found he had around £4,800 of unsecured credit outstanding at the time of his application but didn't find any adverse information reported. Marbles says the application was approved in line with its lending policy and Mr T was given a credit card with a £900 credit limit.

By October 2018 Mr T owed Marbles around £835. In January 2019 Marbles increased the credit limit to £1,650. At that point, the data Marbles had available shows he owed over £6,000 on other unsecured credit. By March 2019 Mr T's balance was close to the £1,650 credit limit.

In April 2019 Mr T told Marbles he was experiencing financial difficulties and it went on to agree a range of payment arrangements, including waiving interest.

Mr T went on to complain that Marbles had lent irresponsibly, but it didn't agree. Mr T referred his complaint to this service and it was passed to an investigator. They upheld Mr T's complaint and asked Marbles to refund all interest and charges applied to his credit card and remove adverse information from his credit file. Marbles didn't agree and said it had completed the necessary checks when it approved Mr T's application and increased his credit limit. As Marbles asked to appeal, Mr T's case 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.

When a business considers whether to approve an application for credit it should complete reasonable and proportionate checks to satisfy itself that the borrower can make repayments in an affordable and sustainable way. Lenders should consider factors like the type of credit, the amount and borrowing limit as well as frequency of payments and overall term. In cases where an applicant has a lower income or other unsecured borrowing that appears high for their circumstances lenders should consider whether to complete additional checks to ensure repayments are affordable in the long term.

I've looked at the information Mr T provided in his application and I think there were signs at that point that the credit card wasn't affordable. Mr T gave a reasonably low income of £5,220 and didn't tell Marbles he was working. In addition, the application confirmed Mr T owed around £4,800 to other lenders at the time, a figure that was broadly in line with his

annual income. Whilst I take Marbles' point that it can't decline an application solely on the basis that the consumer is in receipt of benefits, I don't agree it completed proportionate checks in this case. I think the fact that Mr T wasn't working and already owed other lenders a substantial amount, when taking his annual income into account, should've caused it to complete a more comprehensive set of checks.

Had Marbles carried out more comprehensive checks, I don't think it would've approved Mr T's credit card. Mr T has sent us some bank statements for the months preceding his application. I can see transfers in and out which appear to broadly cancel each other out. But the only regular income I found were weekly benefits payments of around £65. In addition, I can see Mr T made payments of around £255 to his other unsecured creditors. From the information I've seen, it doesn't appear Mr T was in a position to meet the monthly payments for a new credit card when he applied to Marbles. As a result, I agree with the investigator that Marbles lent irresponsibly when it approved Mr T's initial application.

The only change in situation I can see in Mr T's overall position between the initial application and credit limit increase a few months later is that he had used almost all the £900 limit of his Marbles credit card and increased his other unsecured borrowing further to around £6,000. In my view the substantial increase in Mr T's outstanding borrowing should've been a further indication that he was in an unsustainable position and caused Marbles to carry out more checks. For broadly the same reasons as I've given above, I think Marbles would've decided not to increase Mr T's credit limit if it had carried out more detailed checks.

As I think Marbles lent irresponsibly when it approved Mr T's credit card and went on to increase the credit limit, I'm going to uphold this complaint.

### **My final decision**

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

- Refund all interest and charges to Mr T's credit card balance and ensure it's administered on an interest free basis until the outstanding balance is repaid
- Remove any adverse information reported on Mr T's credit file

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 June 2021.

Marco Manente  
**Ombudsman**