

The complaint

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

What happened

Mr M says he opened the two NewDay credit card accounts in 2015 and says appropriate credit checks were not carried out. He says he was in financial difficulties but NewDay increased the credit limits on both accounts. Mr M says he didn't receive letters from NewDay about a default and would like the interest he was charged refunded as well as adverse information removed from his credit file.

NewDay says both applications and later credit limit increases were appropriately checked. It says Mr M was in employment with a declared income of £25,000 which increased to £52,000 for the second application. And didn't have any recent adverse information on his credit file. NewDay says Mr M managed his accounts appropriately for some years after they were opened and after the credit limits were approved. It says it sold the accounts in 2017 and 2019 when the accounts were in arrears.

Mr M brought his complaint to us and told us his home had been fire damaged and as a result didn't receive the default letters. Our investigator didn't uphold the complaint and thought NewDay had carried out appropriate checks on the credit card applications as well as on the later credit limit increases. The investigator thought Mr M made regular payments and also managed other credit accounts appropriately.

Mr M doesn't accept that 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 don't uphold this complaint. I appreciate Mr M will be disappointed by my decision.

Lenders and credit providers should carry out reasonable and proportionate checks on any lending application. Those checks will of course vary depending on the type of borrowing and the amount involved. This complaint is about a credit facility rather than for example a mortgage or loan and so I wouldn't expect NewDay to have carried out such detailed checks as for those types of borrowing.

I have looked at NewDay's records and the information supplied by Mr M and I'm satisfied that Mr M didn't have any recent adverse information recorded on his credit file. I'm satisfied that NewDay checked both credit card applications in 2015 and carried out affordability checks on both. I can see that Mr M was in employment with a declared income of between £25,000 and £52,000. So, I don't think NewDay made a mistake in providing Mr M with the accounts and I'm satisfied that the accounts were affordable. I'm also satisfied that

reasonable and proportionate checks were carried out on the applications by NewDay and that the initial credit limits on both accounts were relatively modest.

I have looked at NewDay's records and can see that further credit checks were carried out on Mr M's financial position before the credit limit increases were approved. I can see that Mr M managed his accounts appropriately and made regular payments. I'm satisfied that NewDay was reasonably entitled to consider that account management before increasing the credit limits and that Mr M could have rejected them if he wished.

I can see that Mr M managed the credit card accounts appropriately for some time after they were opened and after the credit limit increases. I think that provides further evidence that the accounts were affordable. I also think it likely on balance that Mr M's financial position deteriorated from 2017 onwards which I don't think NewDay could reasonably have known about or anticipated when the accounts were opened or when the credit limits were increased.

I appreciate Mr M's home was damaged by fire and that he didn't receive his mail about the default. But I can't fairly order NewDay removed any adverse information from Mr M's credit file for that reason and think Mr M ought reasonably to have been aware of the account position and if he was making required repayments.

Overall, I'm satisfied NewDay's lending was not irresponsible or unaffordable and so I can't fairly order it to refund interest or remove adverse information from Mr M's credit file which I think was correctly registered.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 July 2021.

David Singh
Ombudsman