

## **The complaint**

Miss S complains that NewDay Ltd set a credit limit on her credit card account that was too high and says it continued to charge her interest when she closed the account.

## **What happened**

Miss S says NewDay set the credit limit on her account too high as she had other debts at the time. She says the interest rate was too high and closed the account in May 2018 but was still charged interest after that date. Miss S would like compensation for what took place and for the interest to be refunded.

NewDay says the account was opened in February 2017 and it carried out appropriate checks before approving the application with a credit limit of £900. It says Miss S told it she had a household income of £45,000 and checked her credit file which showed no defaults, County Court Judgements (CCJ's) or arrears on other accounts. It also says the checks didn't show any payday lending or payment arrangements. NewDay says Miss S told it about financial difficulties in October 2019 and so it sent her an income and expenditure form that wasn't returned but Miss S then continued making required payments. It says Miss S told it about financial difficulties in June 2020 but repaid the full balance some months later.

Miss S brought her complaint to us and our investigator upheld the complaint and thought the lending was unaffordable from the outset. The investigator thought Miss S had further debts NewDay hadn't considered, recorded that she had "high indebtedness" and hadn't considered the payday lending at or around the time of lending. The investigator thought there was a number of searches on Miss S's credit file and NewDay should have carried out further checks which would have shown the account was unaffordable. And thought Miss S used the full balance shortly after the account was opened. The investigator recommended NewDay refund interest, remove adverse information from Miss S's credit file and pay 8% simple interest on the refund.

NewDay doesn't accept that view and in summary says use of the credit limit or minimum payments are not necessarily a sign of unaffordability. And that it did carry out appropriate checks but can't be responsible for information not being recorded on a credit file.

## **My provisional decision**

I issued a provisional decision on this complaint and said that I didn't uphold the complaint.

I said that lenders and providers of credit should carry out reasonable and proportionate checks on any lending or credit application. Those checks will of course vary depending on the type and amount of lending. This was an application for a credit facility rather than for example a loan or mortgage.

I looked carefully at the information Miss S provided at the time of the application in 2017 and could see she declared a total income of £45,000. I could also see that NewDay correctly carried out affordability checks on the application and looked at Miss S's credit file and her debts. I appreciated that NewDay calculated Miss S's debt at just under £8,000 but

there was another credit card debt that didn't appear to have been present on the credit file NewDay checked of about another £4,000. I also thought that the credit file NewDay checked may not have had information about four payday lending applications between 2016-2017.

I was satisfied that regardless of either debt figure, that on the face of it NewDay's lending was affordable and that it carried out reasonable and proportionate checks on the application. I didn't think NewDay was responsible for the information reported by the Credit Reference Agencies and I said I couldn't fairly hold it responsible for not being aware of the additional debt and the payday lending. In any event I didn't think it likely NewDay's lending decision would have been any different even if it known about those matters as it was entitled to consider a number of factors when deciding to lend such as the absence of any defaults, CCJ's and the absence of any repayment arrangements on other debts.

I appreciated the investigator's view, that NewDay should have looked closer at Miss S's application and carried out further checks. But I thought provisionally that it did carry out appropriate checks and took into account the factors I would have expected and gave Miss S what I thought was a relatively modest credit limit of £900. I was satisfied that Miss S made required repayments for some significant time from the account opening which I thought provided further evidence that the lending decision was appropriate.

I was satisfied that Miss S's original complaint was not about the affordability of the lending but about the interest amount and that it was applied after the account was closed in 2018. I was satisfied that Miss S would have agreed to the interest rate when the account was opened. And I had not seen any evidence that Miss S closed the account in 2018 as she says. I looked carefully at NewDay's records and was satisfied the account was closed in 2020 and so it was entitled to charge interest until that time.

Lenders should treat customers in financial difficulties positively and sympathetically. I could see from NewDay's records that Miss S told it about such difficulties in October 2019 and that she was asked to complete an expenditure/income form which would have allowed it to have started its process to help her. I couldn't see any evidence that form was returned but could see Miss S made a payment shortly afterwards. I thought the next contact about financial difficulties took place in June 2020 and that NewDay tried to speak to Miss S without success.

The account was closed a few months later. So, I was satisfied NewDay tried to assist Miss S but without the required form it couldn't do anything further. I made clear that I had not seen any evidence about any contact in 2018 but said I would of course consider that if Miss S could provide further information about that contact and why she says the account was closed then, even though account statements would have shown the account to be still open in 2020.

Overall my provisional view was that NewDay did carry out reasonable and proportionate credit checks and gave Miss S a relatively modest credit limit of £900 which based on the calculations and checks I had seen was affordable.

Miss S doesn't accept my view and accepts NewDay may have frozen her account in 2018 but it wasn't made clear to her. She says she doesn't recall the income/expenditure form being sent and maintains she has been treated unfairly.

### **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 same overall view that I reached in my provisional decision and for the same reasons. I'm satisfied at the time of lending the credit facility was affordable and that appropriate checks were carried out. I think the financial problems took place some time later and that for the reasons I have explained, the account wasn't closed in 2018. And that ought to have been reasonably obvious to Miss S as she would have continued to receive account statements. I also think it was her responsibility to speak to NewDay and make sure the forms it required about income and expenditure were returned to it.

### **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 Miss S to accept or reject my decision before 21 July 2021.

David Singh  
**Ombudsman**