

The complaint

Ms C is unhappy with the way that NewDay Ltd, trading as Opus, managed her credit account.

What happened

Ms C had a credit account with NewDay with a credit limit of £7,800. In October 2015, NewDay increased the credit limit on Ms C's account to £10,150. In August 2016, NewDay increased the credit limit on Ms C's account again, this time to £11,700.

In 2020, Ms C raised a complaint with NewDay about how they'd managed her account. NewDay looked at Ms C's complaint, but they felt that they'd undertaken reasonable and proportionate checks into Ms C's financial position before offering the credit limit increases, and that there had been nothing resulting from those checks that had caused them to consider that the credit limit increases being offered weren't affordable for Ms C at those times. So, they didn't uphold Ms C's complaint.

Ms C wasn't satisfied with NewDay's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt that the credit limit increases offered to Ms C had been of significant amounts, and that this had meant that NewDay should have undertaken more robust checks into Ms C's financial position at those times.

Our investigator also felt that if NewDay had undertaken more robust checks, that it was likely that they should have concluded that the credit limit increases under consideration shouldn't have been offered to Ms C, because they weren't affordable for her at those times. So, they recommended that the complaint be upheld in Ms C's favour and that NewDay should take corrective action accordingly.

NewDay didn't agree with the recommendations put forward by our investigator, so the matter was escalated to an ombudsman for 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.

Ms C's initial complaint to this service had a broader scope than has been described in the preceding section. However, our investigator correctly surmised that a portion of Ms C's initial complaint fell outside the remit of what this service can investigate, due primarily to the length of time that has elapsed since the events being complained about taking place. This meant that the only aspects of Ms C's complaint that this service could investigate were the two credit limit increases referenced above. Both Ms C and NewDay accepted our investigators position on this matter, and I also concur. As such, I have limited my review to the credit limit increases accordingly.

It's for a business to decide if it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be that the business would undertake

reasonable and proportionate borrower focusses checks to ensure that any credit being offered, including any increases to previously existing credit, are affordable for that customer at that time.

NewDay say that they did that here. Before they offered the credit limit increases to Ms C in October 2015 and August 2016, they reviewed the information that they held on Ms C, including information about her income and expenditure, and they also reviewed Ms C's recent management of the credit account.

NewDay also confirm that they obtained information from credit reference agencies to enable them to get a better understanding of Ms C's wider financial position at those times. And NewDay have reiterated to this service that there was nothing resulting from those checks that caused them to consider that the credit limit increases being offered to Ms C might not have been affordable for her at those times.

I can appreciate NewDay's position here – to a degree. But I'm not convinced that the checks that NewDay undertook here were reasonable, proportionate, and borrower focussed, such that NewDay were able to arrive at a clear understanding of Ms C's financial position at those times.

One of the reasons I say this is that Ms C has confirmed to this service that she'd written to NewDay earlier in 2015 advising that her personal circumstances at that time were deeply traumatic – such that it's reasonable that NewDay should have considered Ms C as being a vulnerable customer at that time - and that she was struggling financially as a result. And this appears to be corroborated by Ms C's management of her credit account around that time, when Ms C regularly exceeded her credit limit and incurred charges because of this.

In addition, I feel that the credit limit increase that NewDay offered Ms C in October 2015 - from £7,800 to £10,150 – should be considered as being a significant increase, especially given that NewDay had obtained information from Ms C in January 2015 at which time she'd declared her annual income as £40,000 - but also that she already at that time had unsecured debt of over £36,000. This meant that Ms C's unsecured debt was approaching her stated yearly income, and it must be noted that Ms C confirmed that she also had a significant mortgage balance outstanding at that time.

So, while I can appreciate that the standard checks that NewDay undertook at the time of the October 2015 credit limit increase might have provided NewDay with the impression that the credit limit being offered to Ms C would have been affordable for her, I feel that the severity of Ms C's recent personal and financial struggles, and the size of the new credit limit amount being offered to Ms C, should have given NewDay cause to undertake more robust, borrower focussed checks into Ms C's financial position - so as to be certain that they had a correct understanding of Ms C's financial position at that time.

And, had NewDay undertaken such additional checks – which I feel should have included direct conversation with Ms C and possibly a request to assess Ms C's recent current account statements – it's difficult not to conclude that NewDay should have determined that Ms C's financial position remained perilous at that time, such that the credit limit increase under consideration shouldn't have been offered.

With regard the second credit limit increase, from £10,150 to £11,700 in August 2016, given that I'm satisfied that the earlier credit limit increase shouldn't have been offered to Ms C, it's difficult not to conclude that this later credit limit increase also shouldn't have been offered, for similar reasons.

Furthermore, Ms C had another credit account administered by NewDay at that time, and on

that other account, in the months leading up to the second credit limit increase in August 2016, Ms C regularly made late payments against the other account and incurred fees as a result. And it must be noted that NewDay have themselves acknowledged, on the other account, that Ms C's financial circumstances were such that they shouldn't have increased Ms C's credit limit on that account – which they did in April 2016, not long before the August 2016 credit limit increase on the account in question. And NewDay have upheld a complaint in Ms C's favour on that other account and taken corrective action as a result.

I realise that this might not be the outcome that NewDay were wanting here, but it follows that I'll be upholding this complaint in Ms C's favour on the basis that I don't feel that the credit limit increases offered to Ms C in October 2015 and August 2016 were affordable for her at those times.

I can appreciate that NewDay did undertake checks at the time of those credit limit increases, but I as I have explained above, I don't feel that these checks were reasonable or proportionate in consideration of Ms C's circumstances at that time, of which I feel NewDay ought reasonably to have been aware, and that NewDay should have undertaken more robust checks to ensure the affordability of the credit limit increases being offered to Ms C. Finally, I consider that had NewDay undertaken more robust checks and had obtained a more accurate position of Ms C's financial position at those times, NewDay should have concluded that the credit limit increases under consideration weren't affordable for her.

Putting things right

NewDay must reimburse all interest, fees, and charges incurred or accrued on the account for any balance above £7,800 from the time of the credit limit increase in October 2015 onwards.

If these reimbursements result in a credit balance on the account in Ms C's favour, NewDay must pay this amount to Ms C along with 8% simple interest.

NewDay must also remove all adverse information relating to this account from Ms C's credit file from October 2015 onwards.

My final decision

My final decision is that I uphold this complaint against NewDay Ltd, trading as Opus, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 31 August 2021.

Paul Cooper
Ombudsman