

## The complaint

Mr P complains that lending made to him by NewDay Ltd wasn't affordable. He says that NewDay didn't do sufficient checks to make sure it wasn't lending irresponsibly.

## What happened

Mr P said that NewDay didn't do enough checks when it lent to him. He said it should have taken steps to build a more detailed picture of his financial situation. But he said it chose not to ask for information on things like payslips, bills, or bank statements, which would have given it full details of his income and expenditure. Mr P said because NewDay chose not to do that, he believed that meant this was irresponsible lending.

Mr P said NewDay needed to establish if he would be in a position to sustainably repay the lending it made to him, without undue difficulties. In particular, he should be able to make repayments on time, while meeting other reasonable commitments and without having to borrow to meet the repayments. Mr P said that if NewDay had checked his credit file, then it would've seen other accounts that had been opened in recent months along with some balance increases, adverse data and an older default. It would also have shown other short-term loans that had been taken and an overdraft facility constantly in use to its limit. So Mr P thought NewDay should've realised that this lending wasn't sustainable for him.

NewDay said it considers information from credit reference agencies ("CRAs") as well as the information Mr P supplied to it. When he applied for this card, he'd told NewDay that he was employed with annual income of £62,000, plus access to other household income of £21,000. And NewDay said that the CRA data it got then showed he had unsecured debt of £8,400. Information from the CRAs also showed that he had no accounts in arrears, no county court judgments against him, no payment arrangements on any of his debts, no debt management programmes, and no payday loans.

NewDay said that although Mr P had two previous defaults with a total debt of £4,900, the most recent was 31 months before this application, and it doesn't see defaults of this age as a bar to lending.

NewDay had lent £600 to Mr P, through a credit card account opened for him in October 2018. It said it hadn't increased this limit while Mr P held the card.

NewDay said Mr P got in touch in January 2021 to explain that he was having difficulties making his payments, and NewDay put in place a payment holiday for him, for three months. Mr P had paid during this time, so his account was up to date when NewDay contacted us.

Mr P said he'd lost his job in early 2020, and then took some time to secure work again. But he said he'd maintained payments to NewDay and had recently cleared the balance in full.

Our investigator didn't think this complaint should be upheld. She said that although NewDay did have a responsibility to carry out appropriate and proportionate checks for affordability, there weren't any set checks that NewDay needed to complete. She'd expect NewDay to

take reasonable steps to ensure it didn't lend irresponsibly. But our investigator said she'd considered the information NewDay had about Mr P, and she'd checked what Mr P had told NewDay against what she could see on his credit file. She said that the income he declared matched what she could see on his statements. He had three credit cards elsewhere. These had relatively small limits and he didn't appear to be struggling to maintain the minimum payments on these. Mr P also had loans with three other companies with relatively small repayments. She'd also taken into account that he was using his overdraft.

Our investigator said she had considered whether Mr P's borrowing at the time of his application and his other financial commitments meant that he wouldn't have been able to sustainably make repayments to NewDay. But she said she couldn't see indicators that NewDay shouldn't have provided the credit card to Mr P. She said she wouldn't expect NewDay to have requested to have seen Mr P's bank statements for the type, and amount, of lending it was offering. She also said that Mr P's statements showed a high level of discretionary outgoings. She didn't think that NewDay lent irresponsibly or unfairly to Mr P, so she wouldn't ask it to do any more.

Mr P didn't agree. He repeated that he firmly believed that NewDay should have taken steps to build a more detailed picture of his personal financial situation and circumstances. And he suggested that not having done this meant that NewDay's lending was irresponsible. Mr P wanted an ombudsman to consider his complaint.

Our investigator didn't change her mind. She said that for the relatively small amount of credit that NewDay were lending to Mr P, she wouldn't expect them to take additional steps by requesting the sort of information Mr P thought they should've asked for. And she said she'd seen no evidence that Mr P wasn't able to sustain repayments, or even pay off the full balance if needed. Our investigator said that at the time of Mr P's application, she didn't agree that there were clear indicators that NewDay shouldn't have provided him with this credit card.

Because no agreement was reached, this complaint was passed to me 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.

I've reached the same overall conclusion on this complaint as our investigator.

Mr P has argued that NewDay, when it received his application, have asked him for more information, to make sure it was lending responsibly to him? He says that without this additional information, the lending it made to him must be irresponsible.

I should stress that, even if I agreed with that, this wouldn't necessarily lead to me deciding that NewDay has to make the refunds Mr P has suggested. If I did agree with Mr P, I would need to consider what any further checks would have revealed, and whether NewDay would have uncovered information which would bring its lending into question.

As our investigator set out, NewDay isn't automatically required to ask for further information, before it makes any lending to anyone. So I wouldn't assume that this lending was irresponsible, simply because NewDay didn't ask to see any wage slips or bank statements for Mr P.

From what Mr P has told us about recent accounts he'd opened, it appears that he's suggesting that his financial situation was becoming worse at the time when he applied for this card, and that NewDay should've realised this when it considered his application.

Looking at his credit file, I can see some early evidence of issues emerging around October 2018. For instance, I can see that Mr P opened a new credit card account with another provider on what looks to have been the same day as his NewDay account was opened. And his card balance on another card also significantly increased around this time.

But it can take a considerable amount of time for a credit file to update with this information. So I don't think that NewDay would have seen this information at the time that Mr P made his application.

Looking at the information which was available to NewDay, I can see that Mr P declared a relatively high personal and household income, when he made this application. The level of unsecured debt that he declared was relatively low, in comparison. Although Mr P said he'd missed payments at this time, NewDay said it couldn't see any accounts in arrears, and I haven't been able to identify missed payments on Mr P's credit file from around this time.

Considering the information available to NewDay, I don't think that it was clearly wrong to reach the lending decision that it made in October 2018, without asking for additional information from Mr P. And, because the problems that Mr P has told us don't seem to me to be things that would have showed on Mr P's credit file at the time of his application, I think it's likely that NewDay would have made the same decision, if it had sought further information from him.

I can see a number of missed payments on Mr P's credit file, after this lending was made. So I understand that Mr P did experience difficult financial circumstances following this lending. But I don't think that NewDay ought to have realised at the time the lending was made, that this was likely to be the case. So, although I know that Mr P will be disappointed, I don't think his complaint should be upheld now.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 September 2021.

Esther Absalom-Gough  
**Ombudsman**