

The complaint

Mr H complained that NewDay Ltd trading as Marbles lent him money that he couldn't afford to repay. He wanted NewDay to refund all his payments, with 8% interest, and clear his credit file.

What happened

Mr H complained to NewDay that the lending it made to him was unaffordable. He said it would have realised this if it had checked properly before giving him a card. Mr H said NewDay should've seen from his credit record that he had recently missed payments, he had defaults, and was in a debt management programme or IVA. Mr H said NewDay didn't ask him for proof of his income or expenses and it didn't ask about his expenses in detail.

Mr H said he couldn't pay the money back, and his debts had affected his mental health. When NewDay didn't uphold his complaint, he asked us to look into this for him.

NewDay told us it had opened a credit card for Mr H on 6 January 2017. It said that when he applied, he told it he was employed, earning £58,400 a year, and had additional household income of £500. He had unsecured debts totalling £16,400, and was living with his partner.

NewDay said its external checks showed that Mr H had no defaults, no county court judgments, no payday loans and no accounts in arrears. It said he had a settled payment arrangement, but he wasn't involved in any debt management programs at that time. NewDay lent him £300, which it said wasn't a mistake. NewDay said Mr H had asked a couple of times for this limit to be increased in 2020, but it had refused.

NewDay said it set up a reduced payment plan on Mr H's account when he told it about his financial difficulties. And it had then asked a third-party debt collection agency to collect this money on its behalf.

NewDay wouldn't refund Mr H's money, or amend his credit file.

Our investigator didn't uphold this complaint. She set out for Mr H what our service expected NewDay to do, when it lent him money. And she said that she thought that NewDay had carried out proportionate checks in this case. She said the checks NewDay had done, didn't show anything of concern, and NewDay reasonably considered this lending was affordable for Mr H. So our investigator didn't think NewDay had to do any more now.

Mr H didn't agree. He wanted his case to be considered by an ombudsman, so it 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 view on this complaint as our investigator.

I can see from the data that NewDay has shared with us, that Mr H's overall indebtedness has significantly increased in the years since this lending was made. He's told us that he's found this very difficult, and it's affected his mental health. I'm sorry to hear that, and I hope he's now starting to feel better.

I understand that the credit card lending which NewDay made to Mr H will have played a part in the difficulties he has experienced. But what I need to think about is the lending decision that NewDay originally made, in January 2017, and whether Mr H's subsequent difficulties were foreseeable then.

When Mr H first complained to NewDay, he said that he was in a very poor financial position when he made this application. But I think it's important to note that what the credit reference agencies told NewDay when Mr H took out this card doesn't seem to me to match what he said to NewDay when he complained.

I haven't been able to see any evidence that Mr H had defaults, arrears, an active debt management program or an IVA when he made this application in 2017. Although he did already have debts, he appeared to be managing those well, because the credit reference agency that NewDay checked with, said he hadn't missed any payments. And he had declared a relatively high household income. I don't think that NewDay had any reason to believe that Mr H hadn't told the truth about that.

I note that NewDay only lent Mr H £300 initially, and this amount was never increased. So I don't agree that NewDay needed, in this case, to seek further information from Mr H about his income and expenditure before it opened this account for him. I don't think it was irresponsible when it lent him this money, in early 2017.

I know that Mr H will be disappointed, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 October 2021.

Esther Absalom-Gough

Ombudsman