

The complaint

Mr R complains that NewDay Ltd trading as Marbles irresponsibly allowed him to open a credit card account and later increased the credit limit which were both unaffordable.

What happened

Mr R says he opened the Marbles account in September 2016. He says the lending decision was irresponsible and he later got into financial difficulties as a result. Mr R says Marbles later increased the credit limit on the account which was also unaffordable. He says he is now in a Debt Management Plan (DMP) and would like all interest refunded.

Marbles says it hasn't made a mistake and carried out appropriate checks on the application and credit limit increase. It says Mr R was in employment at the time of the application in September 2016 earning £22,000 a year with unsecured debt of about £2,300. It also says Mr R didn't have adverse information on his credit file or other accounts in arrears. Marbles says Mr R had one pay day loan and that it increased the credit limit from the initial £900 to £2,100 in April 2017.

Mr R brought his complaint to us and our investigator upheld it in part. The investigator thought Marbles had carried out appropriate checks on the initial application and was entitled to consider the lack of adverse information on Mr R's credit file and his income compared to the unsecured debt. But also thought that further checks ought to have been carried out at the point when the credit limit was increased. The investigator thought at that stage Mr R had used most of the existing credit, was making minimum payments only and was taking out further debt elsewhere. The investigator recommended interest and charges be refunded over and above the £900 credit limit and any adverse information removed from Mr R's credit file.

Mr R accepts that view, but Marbles doesn't. It says Mr R managed his credit accounts appropriately and it hasn't made a mistake.

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, whilst Marbles may have carried out reasonable and proportionate checks on the original application by Mr R, it ought to have carried out further checks on the decision to increase Mr R's credit limit.

Lenders and credit providers should carry out reasonable and proportionate checks on any credit or lending application. Those checks will of course vary depending on the type and amount of any credit facility or lending. And I wouldn't have expected those such checks to have been as detailed here as for example a mortgage application, as this was an application for a credit facility.

I have looked carefully at Marbles records and can see that it did carry out checks on Mr R's

credit card account application. I can see it recorded Mr R's income as over £20,000 a year and that it calculated his debt at about £2,300. I also think Marbles appropriately checked Mr R's credit file and concluded he didn't have any adverse information recorded on it and that he managed his other accounts appropriately. So, I'm satisfied Marbles did carry out reasonable and proportionate checks on Mr R's application and that the lending decision was affordable and not irresponsible. I'm also satisfied Marbles approved what I think was a relatively modest credit limit of £900.

I have also looked at how Mr R managed his account after it was opened to the point when the credit limit was increased in April 2017. I can see that he used most of the available credit fairly quickly and made what I think were payments close to the minimum required amounts. He also exceeded his credit limit. I have looked at Mr R's credit file and can see that Mr R opened other credit and lending accounts around that time and that his overall debt increased significantly. So, I don't think Marbles carried out appropriate and proportionate checks on the credit limit increase. I think Marbles increased the limit from £900 to over £2,000 when it ought to have been clear that, although Mr R was making minimum required payments, longer term Mr R would have difficulties re-paying the borrowing at those rates.

I'm satisfied that if Marbles carried out further checks on the credit limit increase then it likely those checks would have revealed the lending was not sustainable or affordable in the circumstances. I think it ought to have questioned why Mr R was taking out other credit and considered getting further evidence before making that lending decision as the increase came only some months after the initial lending.

Putting things right

I agree with the investigator's view that Marbles should refund any charges or interest applied to the account balance over and above the credit limit of £900 and also remove any adverse information that may have been recorded on Mr R's credit file. Marbles should use the refunded interest and charges to reduce the balance Mr R may owe it and pay him 8% simple interest on any balance due back to him. Marbles should also provide a certificate of taxation deducted if appropriate on the amount.

My final decision

My final decision is that I uphold this complaint in part and order NewDay Ltd trading as Marbles to refund any charges or interest applied to Mr R's account over and above a £900 balance and deduct that from any balance owed. It should also pay Mr R 8% simple interest on any refunded charges and interest due back to him if appropriate and provide him with a certificate of deducted taxation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 November 2021.

David Singh
Ombudsman