

The complaint

Ms W complains that NewDay Ltd lent irresponsibly when it approved her Tui credit card and later increased the credit limit. Ms W also complains that NewDay lent irresponsibly when it approved a Fluid credit card.

What happened

In May 2019 Ms W applied for a Tui credit card with NewDay. The application said Ms W had an annual income of £30,000 and living costs of £1,080 a month. A credit search found Ms W had around £8,800 of unsecured credit but no adverse information recorded. A Tui credit card with a credit limit of £500 was approved.

In January 2020 NewDay increased the Tui credit limit to £1,500. NewDay's credit file information shows it found Ms W's unsecured debt had increased to around £32,500 at this point.

In the same month, Ms W applied for a Fluid credit card, also operated by NewDay. Similar application information was taken into account. NewDay approved a Fluid credit card with a credit limit of £2,000. NewDay's application data says it found around £30,600 of unsecured credit. But in February 2020 the Fluid credit file date shows Ms W had credit card balances of around £143,000.

Earlier this year, Ms W complained NewDay had lent irresponsibly. NewDay didn't agree and Ms W referred her complaint to this service. An investigator upheld Ms W's complaint. They thought the initial decision to approve Ms W's Tui credit card with a £500 limit was reasonable but that the increase was not. The investigator also said NewDay lent irresponsibly when it approved the Fluid credit card. NewDay asked to appeal, so Ms W's complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say NewDay had to complete reasonable and proportionate checks to ensure Ms W could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

NewDay asked Ms W information about her income and outgoings when she applied for the Tui credit card. And I can see it completed a credit search that didn't find any adverse information. Ms W owed around £8,800 to other lenders at the time. I'm satisfied NewDay completed proportionate checks and that its decision to approve Ms W's Tui credit card with a limit of £500 was reasonable.

I don't agree the checks completed before increasing the Tui credit limit were proportionate. The credit file data provided shows a sharp increase other debts. Ms W's unsecured borrowing appears to have increased by around £24,000 in a period of around nine months. I think that should've warned NewDay Ms W's borrowing was increasing at an unsustainable rate and caused it to carry out better checks.

In much the same way, I haven't found NewDay carried out proportionate checks when it approved Ms W's Fluid credit card. In the same month, NewDay increased Ms W's Tui limit by £1,000 and, as noted above, her borrowing had substantially increased in a short period. I'm satisfied there were clear signs Ms W had become reliant on credit and wasn't able to sustainably make repayments. I think those signs should've caused NewDay to carry out better checks.

There's no set list of checks and NewDay could've sought a range of information to carry out better checks. NewDay could've asked for bank statements or evidence of Ms W's income and outgoings for example. Had it done so, I think NewDay would've found Ms W's outgoings to service her existing debts were already very high and further borrowing wasn't affordable. I note the Fluid credit file data shows Ms W had a total credit card balance in excess of £143,000 in February 2020, the month after it approved an application for £2,000. I'm satisfied that, if NewDay had carried out better checks it wouldn't have increased Ms W's Tui limit or approved the Fluid credit card in January 2020.

To resolve Ms W's complaint I'm going to tell NewDay to refund all interest, fees and charges applied to Tui credit card balances over £500 and the full balance of the Fluid credit card.

I don't agree it's fair for NewDay to report information about debts it lent irresponsibly to the credit reference agencies. As a result, I'm going to tell it to amend Ms W's credit file to remove any adverse information reported since January 2020.

My final decision

My decision is that I uphold Ms W's complaint and directly NewDay Ltd to settle as follows:

- Refund all interest, fees and charges applied to the Tui credit card on balances over £500 from January 2020 to date.
- Refund all interest, fees and charges applied to the Fluid credit card since inception to date
- If an outstanding balance remains once these adjustments have been made to either credit card, NewDay should contact Ms W to arrange a suitable repayment plan for this
- Balances over £500 held on the Tui credit card should be administered without interest going forward. The entire balance of the Fluid credit card should be administered without interest going forward
- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, any extra should be treated as overpayments and returned

to Ms W along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement

- NewDay should amend Ms W's credit file to remove all adverse information recorded in relation to both credit cards from January 2020 onwards

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 14 January 2022.

Marco Manente
Ombudsman