

The complaint

Ms V complains that NewDay Ltd acted irresponsibly by granting her a credit card. She says the lending was unaffordable for her.

What happened

In 2015, NewDay granted Ms V a credit card after she'd applied for one online. Ms V later complained that NewDay shouldn't have given her the credit card. She said, at the time, her credit rating was low, and she was suffering with her mental health. She was working part-time with a small income and receiving benefits. Ms V said she was unable to keep up with her repayments, she fell into default and NewDay continued to add high interest and fees. The fear of not paying and constant contact from NewDay caused further problems with her mental health.

NewDay said it had considered the information Ms V had supplied on her application and the information held at credit reference agencies. Ms V had met its acceptance criteria and been granted a card with a credit limit of £450, which had not increased. It said it hadn't previously been aware of Ms V's mental health issues or financial circumstances. If she had contacted it, NewDay would have assisted her with finding an affordable repayment plan.

NewDay said all fees and charges had been applied in line with the terms and conditions of Ms V's credit agreement. As payments weren't received in line with the terms and conditions, the account was sold on to a third party in July 2017.

Ms V remained unhappy, so she brought her complaint to our service. Our investigator looked into Ms V's concerns but didn't think her complaint should be upheld. She was satisfied NewDay had completed reasonable and proportionate checks, which suggested the repayments were affordable.

She was also satisfied that NewDay had fairly applied interest and charges in line with the terms of Ms V's credit agreement. She said there was nothing to show that NewDay had harassed Ms V or was aware of her financial difficulties.

Ms V disagreed with our investigator's view. She said she didn't think it was fair or reasonable for NewDay to have lent to her when she clearly had £10,600 of outstanding debt with further unsecured debt of £3,600 and a £2,000 overdraft. She said it was clear from the £10,600 defaulted debt that she was having financial difficulties. So, the complaint has been passed to me to decide.

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've decided not to uphold Ms V's complaint. I'll explain why.

The relevant rules, regulations and guidance required NewDay to carry out reasonable and proportionate checks to ensure Ms V would be able to afford to make her credit card repayments in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for NewDay to think only about the likelihood of getting its money back. It also had to ensure that she was in a position to repay what she borrowed in a reasonable period of time, without undue difficulty (for example by getting into further debt).

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

NewDay says it reviewed the information provided by credit reference agencies, as well as from Ms V, before approving her credit card application.

When Ms V applied for the credit card, she was asked some questions about her relationship status, residential status and employment. According to NewDay's records, Ms V said she was single and a council tenant. Her employment status was "*contractor / part-time*". Ms V's gross income is showing as £24,000, with a total unsecured debt of £3,600.

I appreciate Ms V feels that NewDay should have done more to check the lending was affordable for her. But, given the credit limit was only £450, I think the checks NewDay carried out were proportionate and they suggested that the lending was affordable for Ms V.

Ms V feels strongly that NewDay shouldn't have granted her the credit card because she also had defaulted debt of £10,600. I can see that NewDay was aware of this, but the information it gathered showed the most recent default had occurred 26 months before. So, I don't think this is enough to say that NewDay should have been aware that Ms V might have been experiencing financial difficulty.

Ms V has commented that the interest rate on the card was extremely high. But I can see it is showing on the credit agreement. So, I'm satisfied NewDay gave Ms V clear information about this when she took out the credit card.

I don't doubt it was distressing for Ms V to be pursued by NewDay when she found she was unable to make her repayments. But NewDay says Ms V didn't make it aware of her financial circumstances or mental health issues at the time. Ms V disputes this, but NewDay has sent us a copy of the contact notes for the account. On two occasions it's noted that Ms V was late with her repayments because she didn't receive her statements. But I can't see any reference to financial difficulties or her mental health. I also haven't seen any evidence that the fees and charges NewDay applied to the account weren't in line with those set out in the credit agreement's terms and conditions. So, I can't say NewDay has acted unfairly.

I appreciate my answer will be disappointing for Ms V. But I hope she'll understand the reasons for my decision and she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I don't uphold Ms V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms V to accept or reject my decision before 20 December 2021.

Anne Muscroft
Ombudsman