

## **The complaint**

Mrs N complains that NewDay Ltd irresponsibly increased the credit limit on her credit card account to unaffordable levels.

## **What happened**

Mrs N says she accepts that NewDay was entitled to allow her to open her credit card account in 2017. She says she was working at that time but lost her job in around April 2018. Mrs N says her credit history was poor and NewDay shouldn't have increased the credit limit to unaffordable levels. Mrs N would like the debt written off and any adverse information removed from her credit file.

NewDay says it upheld the complaint in part and shouldn't have allowed the last credit limit increase. It says the account was opened in 2017 and Mrs N had an income of £19,000 a year with debts of about £7,700. It also says she had four previous defaults the last being some 22 months old. NewDay approved a credit limit of £450 which was increased to £1,700 in January 2019. The limit was further increased in May 2019 to £2,700 and again to £3,450 in September 2019 before the final increase to £5,450 in January 2020. NewDay says appropriate checks were carried out and it considered Mrs N's account management. It has agreed to refund charges and interest from the last increase date.

Mrs N brought her complaint to us and has provided evidence of her financial position in the form of bank account statements but says she can't obtain a copy of her credit report. Our investigator thought the original lending was affordable and didn't think Mrs N raised any concern about that. The investigator thought Mrs N managed her account appropriately before the first credit limit increase and thought NewDay carried out appropriate checks. The investigator also thought appropriate checks were carried out in May 2019 and didn't think Mrs N had told NewDay about the change in her circumstances.

The investigator didn't think the credit limit increase in September 2019 was affordable or appropriate and thought NewDay ought to have considered that it had only been four months since the last increase and in that time Mrs N's account had been suspended. The investigator also thought that Mrs N's spending and cash advances ought to have triggered further credit checks. She recommended interest and charges be refunded from that date and adverse information removed from Mrs N's credit file.

NewDay doesn't accept that view and says it is not required to carry out income/expenditure calculations with customers.

## **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 same overall view as the investigator and for largely the same reasons. I make clear to Mrs N that without her credit file I can't fairly comment on what she says was adverse information on it. I can of course comment on the evidence that I

do have.

NewDay knows that it must carry out reasonable and proportionate checks on any credit application or on an increase in a credit limit. Those checks will of course vary depending on the type and amount of any lending. This was a credit facility rather than for example a mortgage and so I wouldn't have expected NewDay's checks to have been as detailed as for that type of lending.

I'm satisfied that Mrs N applied for the account in 2017 and that she was working with an income of about £19,000. I can see that NewDay did carry out checks on Mrs N's credit file and the level of her debt. So, I'm satisfied that NewDay carried out reasonable and proportionate checks on the original application and approved what I think was a modest credit limit of £450. And that the lending was affordable.

The first credit limit increase took place in January 2019 and again I think was relatively modest. I can see that NewDay did carry out checks on the increase and was entitled to consider Mrs N's account management which I think was appropriate. The credit limit was again increased in May 2019 which I think was some time after the last increase. And I'm satisfied that checks were carried out and that there was nothing to suggest financial difficulties at that stage. So, I think NewDay did carry out reasonable and proportionate checks on those two-credit limit increases and that on the face of it they were not irresponsible but affordable.

The next credit limit increase took place in September 2019 which I think was within a relatively short time period after the last increase. In those circumstances I would have expected NewDay to have looked carefully at Mrs N's account management since the last increase. I can see from NewDay's account statements that Mrs N's account had been suspended and that she had exceeded her existing credit limit. I can also see that Mrs N was using her account for numerous gambling transactions and was using the account to withdraw cash. There was also a late payment fee before the increase.

So, I don't think there could be any justification in those circumstances to increase Mrs N's credit limit and think that NewDay ought to have had reasonable concerns about her account and her spending as it had just suspended it. I appreciate NewDay says Mrs N didn't tell it about the change in her circumstances but equally I think it ought to have been obvious to it that there were problems in June/July 2019 and enough warning signs.

I appreciate Mrs N would like this debt written off, but I find that would be unfair and clearly Mrs N had the benefit of the money.

### **Putting things right**

NewDay should refund all interest and charges from the credit limit increase in September 2019. It should also remove any adverse data that it has registered on Mrs N's credit file caused by that increase. NewDay should agree a repayment plan with Mrs N on the balance over that credit limit amount which should be interest free and it should pay her £100 compensation as recommended by the investigator for the distress and inconvenience caused. I think such an award to be fair and reasonable. I don't think it likely that there will be an actual overpayment due to Mrs N after these amendments as I can see there is a significant balance outstanding that the refund will be deducted from.

### **My final decision**

My final decision is that I uphold this complaint in part and order NewDay Limited to refund any charges or interest applied to Mrs N's account from September 2019 caused by the

credit limit increase that month. It should also remove any adverse information from Mrs N's credit file caused by that increase and agree an interest free repayment plan with her. I also order NewDay Limited to pay Mrs N £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 2 December 2021.

David Singh  
**Ombudsman**