

The complaint

Mr G complains that NewDay Ltd (NewDay) lent to him irresponsibly. Mr G is represented by a claims management firm, but I will refer to Mr G as the complainant.

What happened

Mr G applied for an Aqua credit card from NewDay in June 2014. His limits were increased as follows. All were offered by NewDay, except that in April 2016:

Date	Limit
June 2016	£900
November 2014	£450
April 2016	£1300 (requested by Mr G)
September 2016	£2050
March 2017	£3100
February 2018	£5100
August 2018	£6600

Mr G complains that NewDay lent to him irresponsibly. They didn't carry out enough checks into his circumstances when they offered the increases in limits. They should therefore refund all interest and fees that he's paid and remove adverse entries at credit reference agencies.

NewDay said they'd conducted enough checks. When Mr G applied for the card, he said he was earning £50,000 a year with unsecured debts of £6,500. He had a mortgage of £139,000. At the time of Mr G's application, and for the increases, NewDay had carried out checks and they'd found that Mr G had no external debt problems – there were no defaults or CCJs, no arrears and no payday loans in existence. He was meeting all payments when due. On the Aqua card, Mr G had made all monthly payments – and they were a lot more than the minimum needed. There were a small number of over limit situations, but these weren't significant. Generally, the balance of the account was well within the limit. And – Mr G could've declined the offers of increases but didn't.

Mr G brought his complaint to us. Our investigator said he felt that the limit increases at, and after, September 2016 (to £2,050) shouldn't have been given without more checks being made. Monthly payments were only about 8% of the amount outstanding. While all Mr G's other debts were being managed OK, there were significant increases in his other credit card debts shown. In March 2017, he took out a second mortgage of £54,905. He said NewDay should refund all interest and fees from September 2016, remove any adverse entries from Mr G's credit file and agree an affordable repayment plan for the debt.

NewDay didn't agree and asked for Mr G's complaint to be looked at by an ombudsman.

I reached a provisional decision where I said:

I take a different view to our investigator.

All lenders have an obligation to lend money responsibly. We must check whether NewDay acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

So – I must decide whether NewDay fulfilled their responsible lending obligations in the light of this guidance. And I think that on balance, they did – based on the data and information they could see about Mr G at the time of his application and at each increase in limit.

When Mr G applied for the card in 2014, he said he was earning £50,000 a year and had other debt of £6,500 and a mortgage of £139,000. Mr G had no other debt problems and all payments were being met. There were no defaults or CCJs showing on his records. There weren't any payday loans. So that looked OK, and the card was agreed with a modest, low limit of £900. This was reduced to £450 in November 2014 (it's not clear why) but then the increases were offered after that time. And – those are the issues that I've looked at.

I've looked at what NewDay could see about Mr G when they offered the increases. And I can see that between when Mr G took the card through to the last increase to £6,600 in August 2018, Mr G's situation looked OK to NewDay – and I think they could only make lending decisions based on the information they had.

Looking at how Mr G conducted his NewDay account, he paid on time throughout, without a missed payment. There were a small number of over limit situations – three in 2015, and one in 2016 – but these weren't significant in the round. Payments were usually a lot more than the minimum needed at £100 a month. And sometimes, a lot more than the minimum was paid – for example, £1,000 in January 2017 and £1,765 in June 2016. Payments increased to £200 a month (and more) in December 2017 and thereafter – which was OK. The balances of Mr G's account with NewDay were well within the limits – in general, the balances were between £1,000 to £1,500 below the limits.

Looking at Mr G's other debts, - NewDay could see from his external records that he did have other debts. But they were OK in my view. His other credit card or unsecured debts were only £490 in October 2014 and rose to £3,291 by the time of the last increase in August 2018. But – I think these were OK, based on Mr G's income of £50,000 a year.

NewDay could see that he had total other debts of £173,269 in March 2016 – which went up to £215,891 by August 2018. So – there was an upward trend showing here – as Mr G was clearly borrowing more. Mr G's credit report shows that on March 2017 - he took a second mortgage of £54,000 – which would reflect in the figure shown here. So – there's an argument to say that NewDay might have asked Mr G about this. But equally, Mr G's external records show that he was making all payments to his lenders on time – there were no defaults or problems showing up. Neither were there any payday loans being taken – usually an indicator of problems. So – if NewDay had asked Mr G some more questions, I'm not sure they would've caused them to decline the increases.

Looking at Mr G's credit file – he did have a lot of other debts – and these were shown in the figures NewDay would've seen. But – also the credit file does show that Mr G's problems appeared to get worse after the last increase from NewDay in August 2018. I can see from his credit report that he began to miss payments and defaulted with other lenders between 2019 and 2020. But – at the time of the increases in limits with NewDay – up to August 2018, things looked OK.

And so – I think that NewDay, based on the information they had, did lend responsibly to Mr G. And so – my provisional decision is that I do not uphold this complaint.

Responses to the provisional decision:

NewDay agreed. Mr G didn't make any comments.

So – I now need to make 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.

Because NewDay agreed, and Mr G didn't make any comments – I won't be departing from the provisional decision, and for the reasons I explained in it. So – my final decision is to not uphold this complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 November 2021.

Martin Lord
Ombudsman