

## **The complaint**

Ms L complains that NewDay Ltd trading as Marbles lent irresponsibly when it approved her credit card and later increased the credit limit.

## **What happened**

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

*Ms L applied for a credit card with Marbles in May 2016. In the application, Ms L said she was married, a tenant and worked as a part time contractor earning around £7,200. Marbles also recorded other household income of around £5,800. Marbles completed a credit check and found a default that was over five years old and around £100 of other unsecured credit.*

*The application was approved with a £300 credit limit.*

*Ms L didn't use the card until July 2016. In November 2016 the credit limit was increased by Marbles to £950. In December 2016 and February 2017 Ms L's balance went over the agreed credit limit.*

*In March 2017 Marbles increased the credit limit to £1,450. Marbles' affordability data shows Ms L's unsecured borrowing with other lenders increased from around £1,100 in March 2017, when her credit limit was increased, to around £5,000 in November 2017. And it was in November 2017 that Marbles approved the final credit limit increase to £1,950.*

*In the months that followed, Ms L began to miss payments and her card was closed around a year later.*

*Ms L complained that Marbles lent irresponsibly but it didn't agree. Ms L referred her complaint to this service and it was passed to an investigator. They upheld Ms L's complaint and said Marbles should refund interest and charges applied to Ms L's account from March 2017 onwards. Marbles didn't accept so Ms L's complaint has been passed to me to make a decision.*

## **What I've provisionally 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 a business agrees to lend, it should take reasonable steps to ensure it does so in a responsible way. There's no set list of checks a lender has to complete. In practice, this means businesses should ensure proportionate checks are carried out to make sure the customer can afford to repay the borrowing in a sustainable way. These checks should take into account various factors, like the amount being lent, the costs to the borrower each month, credit history and the consumer's income and outgoings. As the relationship*

*between lender and borrower progresses, the business may need to consider carrying out more comprehensive checks to ensure the borrower can afford repayments in a sustainable way.*

*In this case, I've considered the original application and can see that Marbles found a low level of other unsecured debt on Ms L's credit file and a default that was over five years old. I think it's reasonable to note Ms L's declared income was modest at £5,800, but Marbles approved a credit limit of £300. I'm satisfied that the decision to approve Ms L's Marbles credit card was reasonable based on what it knew about her.*

*I've looked at the information Marbles had available when it approved subsequent credit limit increases and I haven't been persuaded it lent responsibly. I note the first credit limit increase was from £300 to £950, over three times the original limit. At this stage, Ms L had only made two payments towards her credit card so the relationship between her and Marbles was reasonably new. I also note the other unsecured debt shown on Ms L's credit file increased to £500 by this point.*

*In my view, these above factors should've highlighted to Marbles there was a risk Ms L wouldn't be able to sustainably repay a much higher credit card debt. I think Marbles should've carried out more comprehensive checks. For example, Marbles could've asked for proof of Ms L's income or obtained bank statements to show her income and outgoings. There are other options Marbles could've used, I've given these as examples only. Had Marbles carried out better checks I think it would've declined to proceed with a credit limit increase as it would've found Ms L was unable to repay the increased borrowing in a sustainable way.*

*It follows that if I think Marbles lent irresponsibly when it approved the credit limit increase in November 2016, I find the later increases to be irresponsible as well. I've looked at whether there were other factors that should've given marbles cause to carry out more proportionate checks.*

*I note the next increase, this time to £1,450, took place only four months after the previous credit limit increase. At this point, Ms L had held her credit card for a year and the credit limit was around five times higher than the original Marbles approved. I can also see that in the four months since Ms L's credit limit had increased, Ms L went over her credit limit twice, including the month before it was put in place. I further note Ms L's other unsecured borrowing had increased to around £1,100 at this point. I think there were clear signs that Marbles should've picked up on that Ms L wasn't borrowing in a sustainable way.*

*In much the same way, I think Marbles lent irresponsibly when it approved the final credit limit increase to £1,950 in November 2017. At this point Ms L's other unsecured credit had increased substantially to over £5,000. I think it should've been clear to Marbles that Ms L had become more reliant on credit over time and that increasing her borrowing again wasn't sustainable.*

*I note Ms L began to miss payments in the months that followed and Marbles ultimately took the decision to close her account.*

*In my view, the fairest approach in this case is for Marbles to refund all interest, fees and charges applied to Ms L's credit card debt from November 2016, when it increased the credit limit to £950, to date.*

*As I think Marbles lent irresponsibly, I don't agree it's fair for it to record any adverse information about Ms L's credit card to the credit reference agencies from that point. As a*

*result, I also intend to tell Marbles to remove all adverse credit information it has reported from November 2016, when it increased the credit limit to £950, onwards.*

I invited both parties to respond with any further comments they wanted me to consider. Both parties have confirmed they accept the provisional 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.

As both parties have accepted the provisional decision I'm going to proceed on that basis and uphold this complaint in line with the following settlement.

### **Putting things right**

- Refund all interest, fees and charges applied to Ms L's credit card from November 2016 to date
- If at any period the interest refunds result in Ms L's closed accounts being in credit, Marbles should pay 8% simple annual interest on the date that credit balance arose to the date of settlement
- If the above refund results in an outstanding balance, NewDay should arrange a time to discuss an affordable arrangement plan with Ms L
- Amend Ms L's credit file to remove all adverse information recorded from November 2016 onwards
- If NewDay has sold the debt, it will need to take steps to either buy the debt back or put the above proposed settlement in place with the new owner

### **My final decision**

My decision is that I uphold Ms L's complaint and direct NewDay Ltd trading as Marbles to settle in line with the above guidance.

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

Marco Manente  
**Ombudsman**