

The complaint

Mr C complains that NewDay Ltd was irresponsible in its lending to him.

What happened

Mr C applied for a credit card with NewDay in February 2017 and received a £600 credit limit. The limit was then increased in August 2018 to £1,200.

Mr C says at the time he was provided with the credit he had a county court judgment on his credit file. He says he then had to take out several other credit cards to maintain his repayments, including another credit card with NewDay Ltd which he took out in August 2020.

Mr C raised his complaint with NewDay asking that his interest rate be lowered, or his debts cut but it didn't uphold his complaint. He says it then closed both his cards without telling him and just kept the accounts open for him to repay the debt along with interest. Mr C says he has had to borrow more money to repay his debt.

NewDay issued a final response letter dated 24 March 2021. It said it was a second chance lender and its accounts were designed to help customers with lower credit ratings. It said that before it provided the credit cards it carried out affordability and creditworthiness checks. And before the credit limit was increased on Mr C's first credit card it assessed how Mr C had been managing his account as well as checking other credit data. It said based on the results of its checks it was satisfied it had lent responsibly.

Mr C didn't agree with NewDay's response and he referred his complaint to this service.

Our investigator thought that NewDay had carried out adequate checks before providing the credit to Mr C and that based on its checks the lending appeared affordable. She noted Mr C's comment about the high rate of interest but said the interest rate was clearly set out. She also noted that when Mr C asked for a payment freeze in May 2020 he didn't inform NewDay of any financial difficulties. She said that while interest can be frozen this wasn't a requirement on NewDay and it had applied the interest and charges in line with the terms and conditions. Based on this, our investigator didn't uphold Mr C's complaint.

Mr C didn't agree with our investigator's view.

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 providing credit we would expect a business to carry out proportionate checks to ensure that lending to the customer was responsible. There isn't a defined set of checks that are required but we would expect a business to carry out reasonable affordability and credit worthiness check to assess whether a consumer can afford the repayments of the credit.

Mr C applied for a credit card in February 2017. His application recorded him as employed with a gross annual salary of £19,000 and other household income of £7,000. I haven't seen any verification of Mr C's salary but based on the bank statements he has provided from the time, these support the annual salary figure provided. Mr C had £400 of unsecured debt recorded and while I note his comments about having county court judgment at the time, the credit results received by NewDay didn't show this or any other defaults or issues that would raise concerns.

Considering Mr C's income and based on a credit limit of £600 I think the checks carried out were reasonable. I don't think the results received raised concerns that meant further checks were required and they didn't raise concerns about the affordability of the credit card. Therefore I do not find I can say that NewDay was irresponsible in providing the credit card to Mr C in February 2017 with a limit of £600.

In July 2018, NewDay wrote to Mr C about a credit limit increase. I note NewDay's comments about Mr C having the option to opt out of this and can see this was included in the letter; however, this doesn't mean that adequate checks weren't required before the credit limit increase was offered to ensure it was affordable for Mr C.

I have looked at the information gathered before the limit increase was applied. This shows that Mr C's credit card was at the limit and while he had exceeded the limit by a small amount in the months of July 2017 to November 2017 he had then kept it within the limits for the subsequent months to the point of the increase (aside from going over the limit by 11 pence in June 2018). He was making regular payments towards his account. Based on the information gathered at this time, including information about his other debts, I do not find I have enough to say it was irresponsible to offer Mr C the credit limit increase to £1,200 in August 2018.

Mr C applied for a second credit card with NewDay in August 2020. His application recorded him as being employed with an annual income of £30,000. I haven't seen any further verification but based on the bank statements provided I do not find I can say this would have been found to be incorrect had further checks taken place. At this time Mr C's unsecured debts were £9,400. While this was much higher than the amount recorded previously, Mr C's credit results didn't suggest he was struggling to manage his debts.

As this was Mr C's second credit card with NewDay I have considered the total credit being provided and while I can see Mr C had increased his use of his first credit card towards the limit of £1,200 within the first few months, he had then managed the account and kept it within the limit in the months before his a second application was made.

Overall, I think the checks carried out before the second card was provided were reasonable and I do not find I have enough to say that based on these NewDay acted irresponsibly by providing the second credit card with a £600 limit.

My final decision

My final decision is that I do not uphold this complaint against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 December 2021.

Jane Archer
Ombudsman