

The complaint

Miss L complains that NewDay Ltd irresponsibly increased the credit limit on her account to unaffordable levels. She also complains that NewDay suspended the use of her account when she brought her complaint.

What happened

Miss L says the NewDay account was opened in 2013 and doesn't complain about that decision. She says the credit limit was irresponsibly increased on a number of occasions to unaffordable levels. Miss L says she was making minimum payments and used most of the available credit. She says she was a student and would like interest and charges refunded as well as interest paid on that amount. Miss L also complains that when she brought the complaint NewDay suspended her account use. She says that was unfair when NewDay said the account was affordable and says it ought to have offered alternatives such as a payment holiday. She also says she had recently made a large payment towards the debt and NewDay cut off her credit causing difficulties. Miss L also complains that the payment due date changed.

NewDay says it carried out appropriate checks on the credit limit increases but says it doesn't have all of the data it used due to the passage of time. It says there were no signs of financial difficulties and that Miss L at the time of the increases managed her account appropriately. NewDay says it acted responsibly by closing the account when Miss L brought a complaint of unaffordability and says the payment due date is made clear in the statements.

Miss L brought her complaint to us and our investigator didn't uphold it. The investigator thought there were a number of credit limit changes between 2014 and 2018 and that appropriate checks were carried out. The investigator thought those checks showed no adverse information on Miss L's credit file and that she managed her account on the whole appropriately. The investigator thought regular repayments were made often more than required amounts and Miss L didn't use the full credit limit. The investigator also thought interest and charges were correctly applied in line with account terms and conditions and that NewDay was entitled to close the account when told about possible financial difficulties.

Miss L doesn't accept that view and in summary says if NewDay says the account was affordable then why close it.

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 overall view that I don't uphold this complaint. I appreciate that Miss L will be disappointed by my decision and appreciate how strongly she feels about what took place. I make clear that there is no need for me to repeat the amounts and dates of the increases as the investigator has provided Miss L with a table which has that information.

It may be helpful if I set out in general the rules lenders and credit providers must apply in these sorts of circumstances. Reasonable and proportionate checks must be carried out before any lending or, as in this case, before increasing a credit limit. Those checks will of course vary depending on the type and amount of the lending and if there is an existing relationship between the parties as in this case. I would not have expected NewDay's checks to have been as detailed as for example a large loan or mortgage application, but of course appropriate checks must still be carried out.

Due to the passage of time details of some of those checks are no longer available but I can see in any event this complaint is not about the initial lending, but the credit limit increases. And there is information about the main increases.

I have looked carefully at NewDay's records and can see that before each of the credit limit increases before 2014 and 2018 it carried out checks. I can see it looked at Miss L's payment record, her use of credit and calculated the affordability of the increases. I can see it checked Miss L's credit file and noted the lack of adverse information that can often indicate financial problems such as defaults, arrears on other accounts and excessive borrowing. So, I'm satisfied that NewDay did carry out reasonable and proportionate checks on each of the credit limit increases. It follows that I don't think the increases were unaffordable or the decision to increase irresponsible.

I'm also satisfied that Miss L didn't use all of the available credit in any event and that she appears to have managed her account, on the whole, appropriately throughout and before and after the last increase which suggests the increases were not unaffordable. I'm satisfied regular payments were made, often more than required and that on occasions full balances were cleared.

I appreciate Miss L complains about the payment date changing. I don't think this is the main part of the complaint and I have not seen any evidence on NewDay's records that she made any contact about it before this complaint. I'm satisfied that the payment date is clearly recorded on each of the account statements and I can't see why that would cause any real issues.

I'm satisfied that NewDay was entitled to charge interest and fees in line with agreed account terms and conditions and was entitled to change the interest rate. It follows that I don't think NewDay made a mistake in these circumstances by applying interest or charges and so I can't fairly order it to refund them.

I appreciate Miss L also complains about how NewDay reacted to her complaint. And I make clear that I appreciate both sides view on it. Miss L made a complaint about affordability but that of course doesn't mean the account was presently unaffordable. NewDay when told about a complaint of affordability decided to close the account to avoid further financial problems. I can in those circumstances understand why Miss L was concerned but equally accept that NewDay has a responsibility when told of financial difficulties to try and help to avoid them increasing.

So, I have looked carefully at Miss L's letter of complaint in 2020 and can see that she says she would have difficulties repaying the debt within a reasonable time period and has taken out other credit card accounts which has resulted in further debt. I don't think that NewDay acted unfairly by suspending the account in those circumstances and can see that it provided details of its specialist team to allow Miss L to discuss what had taken place. I can't see any evidence Miss L spoke to that specialist team or provided evidence of her income and expenditure to allow NewDay to carry out affordability checks at the end of 2020 into the start of 2021. I can see that it appears Miss L didn't make required payments in early 2021 which suggests NewDay acted correctly by suspending the account use.

Overall, I'm satisfied NewDay did carry out reasonable and proportionate checks on the credit limit increases and that the lending was not unaffordable or irresponsible. I'm also satisfied that this now brings an end to what we in trying to resolve this complaint informally can do.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 21 February 2022.

David Singh
Ombudsman