

## **The complaint**

Mrs M complains that NewDay Ltd trading as Amazon Classic lent irresponsibly when it approved her credit card application.

## **What happened**

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

*Mrs M applied for a credit card with NewDay in January 2020. In the application, NewDay recorded that Mrs M was employed with an income of £16,000 a year and a net monthly income of £1,201. NewDay also recorded Mrs M's partner's income as £1,145. NewDay says it found no arrears or adverse credit information on Mrs M's credit file and found she owed around £14,000 in unsecured debt. NewDay approved Mrs M's application with a credit limit of £600.*

*Mrs M maintained payments until May 2020 when she missed a payment. Mrs M missed another payment in July 2020 and has explained she was made redundant a short time later.*

*Mrs M complained that NewDay had lent irresponsibly when it approved her credit card but it didn't agree. Mrs M went on to refer her complaint to this service and it was passed to an investigator. The investigator thought NewDay had dealt with Mrs M's complaint fairly and didn't ask it to do anything else. Mrs M asked to appeal so her 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 agreeing to lend, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mrs M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:*

- *The amount of credit;*
- *The total sum repayable and the size of regular repayments;*
- *The duration of the agreement*
- *The costs of the credit; and*
- *The consumer's individual circumstances.*

*That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.*

*In this case, NewDay recorded that Mrs M had a net income of £1,200 a month. I note the application doesn't include any information about Mrs M's relationship status, but it also*

*includes her partner's net monthly income of £1,145. NewDay says that taking both figures together, the credit card was affordable for Mrs M.*

*I've considered whether that's a reasonable approach in Mrs M's case. I understand NewDay may use household income to assess whether a new credit card is affordable. But it still has to ensure any lending complies with the regulations and ensure it's sustainable for the borrower. I've looked at the figures in Mrs M's application and can see NewDay used outgoings of around £995, leaving Mrs M with around £200 of "disposable income". But the application also records Mrs M had around £14,000 of unsecured debt to service as well. Without using Mrs M's partner's income to support the application, I think it's likely NewDay would've found a new credit card wasn't affordable for Mrs M and declined it.*

*NewDay used both incomes. But before agreeing to rely on someone else's income to support Mrs M's loan, I think NewDay should've done more to ensure that was a sustainable approach. By simply taking the partner's income NewDay had no knowledge of their circumstances, commitments or long-term affordability to assist with repayments.*

*In addition to the lack of disposable income, I think the reliance on Mrs M's partner's income to support credit card repayments should've caused NewDay to complete better checks.*

*There's a range of information NewDay could've asked Mrs M to provide to support her application, for example payslips or bank statements.*

*Mrs M has sent us her bank statements for the months preceding the January 2020 application. The statements don't show Mrs M was receiving £1,145 a month from her partner or that her income was in line with the information provided in the application. Had NewDay carried out better checks, I think they would've found new borrowing was unaffordable for Mrs M and declined her credit card application. As a result, I intend to uphold Mrs M's complaint.*

*As I think NewDay lent irresponsibly, I intend to tell it to refund all interest, fees and charges applied to the credit card debt from inception to date. I also don't think it's fair for NewDay to record any adverse information on Mrs M's credit file relating to a debt that was lent irresponsibly. So I also intend to tell NewDay to amend Mrs M's credit file and remove all adverse information recorded about the Amazon Classic credit card.*

*I'm aware Mrs M has experienced financial difficulties and has been unable to maintain the credit card payments. Once the above settlement has been put in place, NewDay should treat Mrs M in a positive and sympathetic manner, ensuring any payment arrangement it agrees is affordable*

*I invited both parties to respond with any additional information they wanted me to consider before I made my final decision. Neither party responded.*

### **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 neither provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still think Mrs M's complaint should be upheld, for the same reasons.*

## **My final decision**

My decision is that I uphold Mrs M's complaint and direct NewDay Ltd trading as Amazon Classic to settle as follows:

- Refund all interest, fees and charges from the date of inception to the date of settlement
- If the above leaves an outstanding balance, NewDay should contact Mrs M within four weeks of settlement to discuss the possibility of a sustainable and affordable repayment plan
- If the above has the effect of there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs M along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement
- Amend Mrs M's credit file to remove all adverse information recorded about the Amazon Classic credit card

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 1 April 2022.

Marco Manente  
**Ombudsman**