

The complaint

Mr B complains that NewDay Ltd trading as Amazon Card irresponsibly allowed him to open a credit card account which was unaffordable.

What happened

Mr B says the Amazon Card account was unaffordable and he shouldn't have been allowed to open the account. He says the credit limit was also increased which caused financial difficulties as well as stress. Mr B would like interest and charges refunded and interest paid on that amount.

NewDay says the account was opened in November 2019 and Mr B declared an income of £15,000 a year with access to other household income of £667 a month. It says it calculated Mr B's other debt which was minimal at £100 and looked at his credit file which showed no adverse information. NewDay says Mr B managed his account appropriately and in July 2020 increased the credit limit from £1,000 to £1,500. It says Mr B told it about financial difficulties in 2021 some time after the credit limit increase and account opening.

Mr B brought his complaint to us and our investigator didn't uphold it. The investigator thought appropriate checks were carried out on the application and credit limit increase. The investigator thought Mr B's existing debt was low and there were no signs of unaffordability at the relevant times. And that Mr B made all required payments in excess of the minimum amount.

Mr B doesn't accept that 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.

Having done so I have come to the overall view that I don't uphold this complaint.

Lenders and credit providers should carry out reasonable and proportionate checks on any loan or credit application. Those checks will vary depending on the type and amount of any loan or credit. This was an application for a credit facility rather than for example a mortgage and so I wouldn't have expected NewDay's checks to have been as detailed as for that type of lending. But of course, checks still need to be carried out.

I can see from NewDay's records Mr B applied for the account in November 2019 and declared an income of £15,000 with access to additional household income of £667 a month. I can see NewDay checked Mr B's credit file which revealed no adverse information and calculated his existing debt at £100. So, I'm satisfied that NewDay did carry out reasonable and proportionate checks on Mr B's application and that there was no information that it saw or ought to have seen that would have resulted in it concluding the lending was irresponsible. I'm satisfied that NewDay approved what I think was a modest credit limit of £1,000 and the account ought to have been affordable for Mr B based on the evidence I

have seen.

I can see that Mr B managed his account appropriately by making required payments often in excess of the minimum amount and that he didn't use the existing credit limit in full. I can see that before the credit limit increase in July 2020 that he had not used half of the existing limit which I think provides additional evidence that the original lending decision was affordable.

I don't think NewDay acted irresponsibly by increasing the credit limit and was reasonably entitled to consider at that stage Mr B's account management which didn't reveal any concerns. I can't see that Mr B used that new credit limit in any event.

I'm satisfied that it was in 2021 that Mr B experienced financial difficulties. I think it likely on balance those difficulties may have been caused by other matters rather than the decision to approve this credit card account. I say that as Mr B managed this account appropriately for a significant time period.

Overall, I'm satisfied that NewDay did carry out reasonable and proportionate checks on this application and that the decision to lend was not irresponsible. It follows that I can't fairly order NewDay refund Mr B any interest or charges as he would like.

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 Mr B to accept or reject my decision before 31 August 2022.

David Singh
Ombudsman