

## **The complaint**

Mr D complains NewDay Ltd approved his application for two different credit card accounts that were unaffordable and he's also unhappy with credit limit increases that were later applied to the accounts.

## **What happened**

Mr D has two credit cards with NewDay – one Aqua card and a Marbles card.

Mr D's Aqua card was opened in December 2012 and the credit limit was increased in April 2013, April 2016, November 2016 and September 2018.

Mr D's Marbles card was opened in January 2018 and the credit limit was increased in April, August and December 2018.

Mr D complained to NewDay in November 2019. He felt NewDay shouldn't have agreed to lend to him and had done so irresponsibly.

NewDay responded to Mr D's complaint to say they didn't think they had done anything wrong.

Our Investigator considered Mr D's complaint. He partially upheld the complaint. He said for the credit limit increases that took place on both cards from April 2018 onwards NewDay didn't do proportionate checks and had they done so, they would've discovered Mr D couldn't have sustainably repaid any further increases in his lending. He recommended they rework Mr D's accounts to remove any interest or charges and remove any adverse information about the accounts from April 2018 onwards from Mr D's credit file.

Mr D accepted the Investigator's findings.

NewDay didn't agree with our Investigator's assessment. They said, in summary, they felt the lending they'd agreed to provide to Mr D was affordable at the time it was taken and their checks were appropriate.

After the case was passed to me, I wrote to both sides explaining why I didn't think we could consider anything that happened prior to April 2016. Both parties accepted what I said about this and so the case was returned to me to consider the merits of Mr D's complaint about NewDay.

I issued a provisional decision setting out what I thought. I've set out my provisional findings below and they form part of this decision.

## **Provisional findings**

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*NewDay had an obligation, when considering whether to offer Mr D the credit cards and any subsequent credit limit increases, to conduct reasonable and proportionate checks to ensure he could afford to repay the borrowing sustainably.*

*Proportionate checks can vary – but generally we'd expect a business to satisfy themselves that the customer can afford to repay what they're borrowing in a sustainable way. So I need to consider if NewDay completed reasonable and proportionate checks to satisfy themselves that Mr D would be able to repay what he borrowed on the credit cards in a sustainable way.*

*In April 2016, Mr D's credit limit on the Aqua card was increased from £600 to £1,200. NewDay said before offering Mr D this increase they consider the prior management of his account. Given how long Mr D had been using this account and the amount of credit being offered, I think this was proportionate in the circumstances. I've considered Mr D's management of the account in the six months prior to the increase. I can see that although he incurred a late payment fee of £12 – this was only on one occasion. And Mr D had been consistently making more than the minimum payment. I've also considered Mr D's credit file and bank statements – these don't show he was having any difficulties meeting his other commitments. So overall I've found the April 2016 increase on the Aqua card affordable.*

*In November 2016, Mr D accepted an offer from NewDay to increase the limit again on the Aqua card. This time from £1,200 to £2,100. By this time, although Mr D had continued to make more than the minimum payment and his account had generally been managed well – his total unsecured debt had increased to just over £13,000 and the amount being offered was higher. So I think NewDay should've done more checks at this point. But having considered Mr D's bank statements and credit file, if NewDay had done further checks I think they still would've offered the increase and I don't think it was unaffordable.*

*In January 2018, Mr D applied for a Marbles card with NewDay. In the application he said he'd been employed for more than 10 years, with an annual salary of just under £29,000 and was living at home with parents. Mr D also said he had unsecured debt of about £8,000 in this application.*

*Although the Marbles card was branded differently, Mr D was still – in effect – making an application for further borrowing from NewDay when he applied for this card. Mr D still held his Aqua card with NewDay and at this time the limit was £2,100 with a balance of about £2,000 so I would've expected NewDay to take into account what they already knew about Mr D in making their decision in relation to the Marbles card.*

*The application was for a credit limit of £900. Based on what Mr D has told us about his circumstances at the time, although he had debt elsewhere, his credit file shows the accounts were being managed well so I don't think the offer of the Marbles card with a limit of £900 was unaffordable for Mr D at this stage.*

*In April 2018, Mr D accepted an increase to the limit on the Marbles card – to £1,900. This was an increase of £1,000 – more than double the initial limit on the card and on top of everything Mr D had already borrowed from NewDay. At about the same time he'd been over the credit limit on both his Aqua and Marbles cards. So for these reasons, I find NewDay should've done further checks before offering this additional amount to Mr D.*

*Based on Mr D's bank statements, I can see he'd started using payday loans shortly before taking out the Marbles card in January 2018. But I don't think that necessarily would've meant NewDay shouldn't have agreed to provide the initial limit on the card. But by April 2018, Mr D had increasingly been using payday loans for about six months so had NewDay done more in depth checks at this point – as I've explained they should've – they would've*

*discovered the use of payday loans and that this had been going on for a number months.*

*NewDay has said their checks did not show use of payday loans at the time. I don't know why but I'm satisfied Mr D was in fact using payday loans. NewDay also said their credit check showed no other problems with Mr D's other accounts. But having considered his bank statements, it seems likely Mr D was using the short-term lending to maintain the other accounts which would explain why a credit check wouldn't have showed any problems with those other accounts. I say this because some of the amounts borrowed correspond directly to amounts paid to NewDay and Mr D's other creditors. So I don't think Mr D could afford to sustainably repay the further £1,000 NewDay offered him in April 2018.*

*As I've found NewDay shouldn't have increased Mr D's borrowing in April 2018 and I'm satisfied his circumstances were largely similar at the times of the later increases, it follows that the further increases on both cards shouldn't have been agreed.*

*Our Investigator recommended that NewDay take action on both accounts to put things right from April 2018 onwards. But as a further increase on the Aqua card didn't take place until September 2018, I think it's fair that NewDay take the steps set out below from the date of the relevant increases onwards on each card.*

#### *Putting things right*

*To put things right, I intend to require NewDay Ltd to:*

- Rework Mr D's Marbles credit card account so that from April 2018 onwards interest is only charged on the first £900 outstanding to reflect the fact that no credit limit increases should have been provided after this. Late payment and over-limit fees should also be refunded from this date onwards. Any refund should be applied to reduce Mr D's outstanding balance.*
- Rework Mr D's Aqua credit card account to reflect that from September 2018 onwards interest is only charged on the first £2,100 outstanding to reflect the fact that no credit limit increases should have been provided after this. Late payment and over-limit fees should also be refunded from this date onwards. Any refund should be applied to reduce Mr D's outstanding balance.*
- Check for any periods when Mr D's payment would have been enough to clear his balance on either account, and if this is the case, they should pay 8% simple interest to Mr D on any periods he would have been in credit up until the date he would have owed money on the accounts again.*
- Review Mr D's repayment arrangements following the above – ensuring they treat him fairly and sympathetically where required.*
- Remove any adverse information from Mr D's credit file in relation to the Marbles account limit being increased after April 2018.*
- Remove any adverse information from Mr D's credit file in relation to the Aqua account limit being increased after September 2018.*

#### **Responses to my provisional decision**

Mr D responded to say he accepted my provisional decision.

NewDay didn't provide any further information for me to consider by the deadline I'd set.

## **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 Mr D accepted my decision and NewDay didn't add anything further for me to consider, I see no reason to depart from my provisional decision.

## **My final decision**

For the reasons set out above, my final decision is I uphold Mr D's complaint in part.

To put things right, I require NewDay Ltd to:

- Rework Mr D's Marbles credit card account so that from April 2018 onwards interest is only charged on the first £900 outstanding to reflect the fact that no credit limit increases should have been provided after this. Late payment and over-limit fees should also be refunded from this date onwards. Any refund should be applied to reduce Mr D's outstanding balance.
- Rework Mr D's Aqua credit card account to reflect that from September 2018 onwards interest is only charged on the first £2,100 outstanding to reflect the fact that no credit limit increases should have been provided after this. Late payment and over-limit fees should also be refunded from this date onwards. Any refund should be applied to reduce Mr D's outstanding balance.
- Check for any periods when Mr D's payment would have been enough to clear his balance on either account, and if this is the case, they should pay 8% simple interest to Mr D on any periods he would have been in credit up until the date he would have owed money on the accounts again.
- Review Mr D's repayment arrangements following the above – ensuring they treat him fairly and sympathetically where required.
- Remove any adverse information from Mr D's credit file in relation to the Marbles account limit being increased after April 2018.
- Remove any adverse information from Mr D's credit file in relation to the Aqua account limit being increased after September 2018.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 April 2022.

Eleanor Rippengale  
**Ombudsman**