

The complaint

Mr L complains that NewDay Ltd trading as Marbles Card irresponsibly allowed him to open a credit card account and later increased the credit limit to unaffordable levels.

What happened

Mr L says he opened the Marbles account in 2015 and at the time had a number of other credit card accounts as well as a default on his credit file. He says he was using payday lending and had a gambling problem. Mr L says the lending and later credit limit increases were unaffordable and appropriate checks would have shown that. He would like interest and charges refunded.

Marbles says the account was opened in 2015 and appropriate checks were carried out. It says Mr L told it he was earning about £36,000 a year and it calculated his other debt at about £8,200. It also says the default was of some age and the credit limit of £900 was relatively modest. Marbles says the credit limit was increased in August 2016 to £1,950 and later to £2,950 in March 2020. It says Mr L didn't tell it about any financial difficulties.

Mr L brought his complaint to us and our investigator upheld the complaint in part. The investigator thought appropriate checks were carried out when the account was opened. But the later credit limit increases were unaffordable and shouldn't have been granted. The investigator thought prior to the first credit limit increase Mr L's overall debt had increased to over £25,000 and he was using short term payday lending every month. The investigator thought that should have led to further checks which would have shown the extent of Mr L's gambling. The investigator recommended interest and charges be refunded and that Marbles pay £100 compensation.

Mr L accepts that view, but Marbles does not. It questions Mr L's monthly repayment of debt at £3,300 a month as calculated by the investigator. And says by the time of the second credit limit increase Mr L's overall debt had dropped to just over £20,000.

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 uphold this complaint.

There is no longer any dispute that the original lending was affordable and so I don't intend to comment on that further.

The key part of the complaint is the first credit limit increase in August 2016. I can see that Mr L managed his account appropriately before the increase by making required payments which of course Marbles was entitled to consider. But as it knows it must carry out reasonable and proportionate checks to ensure the affordability of a credit card account or of any credit limit increases. The type of checks will of course vary depending on the type and amount of the lending. And I accept this was an increase to a credit facility rather than for

example a mortgage application, so I wouldn't have expected Marbles checks to have been as detailed as for that type of lending. But of course, appropriate checks must be carried out.

I'm satisfied that Marbles ought reasonably to have seen that Mr L's debt had significantly increased from the account opening in 2015 to the credit limit increase in 2016 from just over £8,000 to over £25,000. And it also should have seen that Mr L was using numerous forms of short-term high interest lending from a number of sources. Those two factors ought to have been reasonably clear to Marbles when it ought to have carried out affordability checks on the credit limit increase. And they ought to have raised potential affordability concerns. I can't see why Marbles didn't notice or consider those factors or what detailed checks it did carry out apart from considering Mr L's account management.

I'm also satisfied that reasonable and proportionate checks would have revealed the reasons for the increase in debt and the use of short-term lending which was Mr L's gambling habit. I think it highly likely that if Marbles had looked at the credit limit increase in more detail it would or ought to have realised what the issue was. And a request to look at Mr L's bank account statements would have revealed the gambling habit and the use of the short-term lending if that hadn't been seen on the checks that should have been carried out on Mr L's credit file. I think it unlikely Marbles would have allowed the credit limit increase if further checks had been carried out.

I'm satisfied that the first credit limit increase was unaffordable and that reasonable and proportionate checks were not carried out. It follows that the second increase shouldn't have been approved for those reasons. I appreciate Marbles questions the level of Mr L's monthly repayments but I'm satisfied that those same figures were available for Marbles to review if it wished and I have made clear that Mr L's debt was over £25,000 and he was using payday lending.

Putting things right

Marbles should refund interest and charges applied over and above the original credit limit on the account from the date of the first credit limit increase in August 2016. It appears that the account has been closed and that there is no outstanding balance. If that is the case Marbles should pay interest on any refund due to Mr L at 8% simple interest each year. If there is a balance owed to Marbles, then that refund should be deducted from it first. Marbles should also adjust the information on Mr L's credit file and if it deducts taxation from that refund then it should provide Mr L with an appropriate certificate of deduction. Finally, Marbles should pay £100 compensation for the distress and inconvenience caused which I think is fair and reasonable in the circumstances.

My final decision

My final decision is that I uphold this complaint and order NewDay Ltd trading as Marbles Card to follow the above order as set out by refunding interest and charges and by paying Mr L £100 compensation as well as 8% simple interest per year on the refunded amount from the date charged. It should also amend Mr L's credit file and provide him with a certificate of deducted taxation of necessary.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 June 2022.

David Singh
Ombudsman