

The complaint

Miss O says NewDay Ltd trading as Marbles Card irresponsibly lent to her.

What happened

Miss O's complaint is about a credit card account provided by NewDay. The account was opened in December 2015. Miss O was given an initial credit limit of £450. This limit was increased to £1200 in May 2019.

Miss O complains that NewDay irresponsibly lent to her.

Our adjudicator upheld Miss O's complaint and thought that NewDay ought to have realised that Miss O wasn't in a position to sustainably repay any further credit by the time it offered the increase to her credit limit of £1200 in May 2019.

NewDay disagreed with the adjudicator so the complaint has been passed to me for a decision.

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.

The general approach to complaints about unaffordable and irresponsible lending including the key relevant rules, guidance and good industry practice is set out on this services website.

NewDay needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss O could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumers income and expenditure.

Less detailed affordability checks can be reasonable and proportionate where a consumer's financial situation is stable and where borrowing is insignificant given the consumers overall financial circumstances. But certain factors might point to the fact that NewDay should have done more to check that any lending was sustainable repayable. These factors include:

- The lower a consumer's income, reflecting that it could be more difficult to make any loan repayments to a loan amount from a lower level of income
- The higher the amount due to be repaid reflecting that it could be more difficult to meet a higher repayment from a particular level of income
- The greater the frequency of borrowing and the longer the period of time during which the customer has been indebted reflecting the risk that prolonged indebtedness may signal that the borrowing had become or was becoming unsustainable

Our adjudicator set out in some detail why he thought NewDay shouldn't have provided Miss O with any further credit from May 2019 onwards. He noted that there were unanswered questions about Miss O's circumstances that NewDay needed to answer to check that she could repay the borrowing sustainably.

I've noted that the credit limit increase was almost three times the original credit limit. I've also noted that in the months leading up to the credit limit increase, Miss O's credit card statements show late and overlimit fees, gambling payments and unpaid direct debit.

The pattern of NewDays lending history with Miss O suggest that this may have given cause for concern that Miss O couldn't afford to repay what she was being lent in a sustainable manner.

I think this information should've been enough to alert NewDay that there was a point at which they ought reasonably to have seen that further lending was unsustainable. Even if this information wasn't sufficient to alert NewDay that further lending was unsustainable, I think NewDay ought to have carried out further checks to ensure that further lending was sustainable.

I don't know what checks NewDay would have carried out. A reasonable and proportionate check would have been to look at Miss O's bank statements to check her income and expenditure.

I've looked at Miss O's bank statements for the relevant period. These show that several direct debits failed in the period leading up to the credit limit increase. They also show that Miss O took out several short term high cost loans in April 2019, and that she had several gambling transactions between February and April 2019.

Based on what I've seen, I think that if NewDay had carried out reasonable and proportionate checks, this would've shown that Miss O wasn't able to repay the borrowing sustainably.

Putting things right

The increase to the credit limit meant that Miss O's indebtedness increased at a time when the evidence suggests that she was in financial difficulties.

Miss O has been given the credit limit increase and has now repaid the full amount including interest and charges.

To put things right, NewDay Ltd must:

1. Find out how much Miss O would have owed at the time she settled the credit card account had the credit limit not been increased to £1200
2. Remove any interest and charges added to the account as a result of the increased credit limit
3. Refund the difference between what Miss O owed when she settled the account and what she would have owed had the credit limit not been increased
4. Add simple interest at 8% per annum on the difference between what Miss O would have owed when she settled the account from the date she settled it to the date of the refund. HMRC requires NewDay to deduct tax from this interest. NewDay must give Miss O a certificate showing how much tax has been taken off if she asks for

one.

5. If, when NewDay works out what Miss O would have owed each month less the extra interest and charges, Miss O paid more than enough to clear the balance, NewDay should also pay simple interest at 8% per annum on the extra she paid. NewDay should carry on paying interest until the point at which Miss O would've owed something on the account.
6. NewDay Ltd should tell Miss O what it has done to work out the sums refunded.

My final decision

My final decision is that I uphold the complaint. Newday Ltd trading as Marbles Card must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 27 October 2022.

Emma Davy
Ombudsman