

The complaint

Mrs H complains that NewDay Ltd acted irresponsibly by providing several unsolicited credit limit increases on her credit card accounts.

What happened

Mrs H applied for an Evans credit card with NewDay in March 2015. This was approved with a £500 credit limit. Over the next three years her credit limit was increased eight times resulting in the credit limit being set at £8,000 in June 2019. Mrs H then applied for a second NewDay credit card in August 2019 (Amazon) and this was provided with a credit limit of £1,500 which was then increased to £3,000. Mrs H says that adequate checks weren't carried out before the credit cards were provided and credit limit increases were applied. She said she was only making the minimum repayments.

NewDay didn't accept that it had lent irresponsibly. It said that as part of its application process for the Evans credit card, Mrs H told it she was employed with a monthly income of £3,000 alongside other household income of £1,000. It said she had unsecured debt of £23,700 and a mortgage balance of £189,000 and its credit check showed no arrears or defaults and so Mrs H was provided with a credit card account with a £500 limit. NewDay said it regularly reviewed Mrs H's account and that credit limit increases were offered, and Mrs H could have opted out of the increases, but this didn't happen. Mrs H then applied for an Amazon credit card and after checking her income, other household income, unsecured debt and mortgage balance Mrs H met its lending criteria and was provided with a credit card account with a £1,500 limit. Mrs H's account was then reviewed and a limit increase to £3,000 was offered which Mrs H accepted.

Our investigator didn't uphold this complaint. She didn't think that based on the information available NewDay had acted irresponsibly in providing the credit cards or credit limit increases.

Mrs H didn't agree with our investigator's view. She said that NewDay didn't carry out adequate checks to ensure she could afford to repay the credit without falling behind on existing credit commitments or having to borrow more. She reiterated that she was only making minimum repayments and had taken out other credit to ensure she could meet her existing commitments. She said that the application for the Evans credit card was completed in store by the sales assistant and that she never claimed to have a monthly income of £3,000. She said her monthly income was £1,750 and that any benefits were used for specific purposes. She said her monthly accommodation costs were £1,100 not the £500 recorded and that had proper checks taken place NewDay would have seen her income and expenses. She says her credit limit was increased every time she neared the limit which trapped her in a cycle of debt and that the last few credit limit increases took place after she had informed it that she was vulnerable customer.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Mrs H was provided with a credit card by NewDay in March 2015 with a credit limit of £500. I noted Mrs H's comment about the application being completed by the sales assistant, but the application included information about Mrs H's monthly income and expenses and Mrs H had signed this. Therefore, I found it reasonable this information was relied on. NewDay carried out a credit check and this didn't raise any concerns. Based on the credit limit of £500 I thought the checks carried out were proportionate and didn't raise concerns about the affordability of the lending.
- The credit limit was increased in May 2016, December 2016 and May 2017 bringing the limit to £1,500. While Mrs H was contacted about the limit increases and could have opted out, it was NewDay's responsibility to ensure the additional lending was affordable. I looked through the account information from March 2015 and could see that Mrs H was making regular payments and was keeping comfortably within the credit limit. Therefore, I didn't find I had enough to say these limit increases were irresponsible.
- A further limit increase took place in October 2017. This brought the credit limit to £2,100 - over four times the initial limit provided. In the two months prior to this increase, Mrs H had increased her balance close to the credit limit. This could have suggested she was becoming more reliant on the borrowing and I thought it would have been reasonable to carry out further checks at this point to ensure further lending was affordable. Had this happened, NewDay would have found that Mrs H was receiving monthly income of just under £1,500 and had other credit cards that she was operating at their limits. As she had increased her use of the card to almost its limit and wasn't reducing the debts she had elsewhere, I thought this should have raised concerns that providing further credit at this point might not be sustainably affordable. Therefore, I didn't think this credit limit increase should have been applied.
- Further credit limit increases took place in March and August 2018 and January and June 2019 bringing the credit limit to £8,000. The affordability data provided by NewDay only showed the total debts from July 2018 and this suggested Mrs H had around £40,000 of non-mortgage debt at the time. I had nothing to suggest that Mrs H's financial circumstances improved significantly between October 2017 and June 2019 and so I didn't think it reasonable that any of these subsequent credit limit increases were provided.
- After the credit limit increase to £8,000 on Mrs H's Evans credit card, she applied for another credit card with NewDay. I noted the checks that took place, but as Mrs H already had a £8,000 limit on her NewDay Evans credit card and had increased her spending on this to near the limit the month after the increase and she had around £44,000 of other non-mortgage debt, I didn't find it reasonable that this additional credit card was provided.

In conclusion I partially uphold this complaint. I didn't think NewDay was responsible to provide the credit limit increases from October 2017 onwards on the Evans credit card or provide the Amazon credit card.

Mrs H accepted my provisional decision and NewDay didn't provide any further information in response to it.

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 I set out in my provisional decision, I think the checks carried out before the Evans credit card was provided in 2015 were proportionate and as these didn't raise concerns I do not think it was unreasonable for the credit card with a £500 credit limit to be provided.

Having looked through the information provided, I don't think I have enough to say that NewDay was wrong to provide the credit limit increases up to and including May 2017. However, I think further checks should have taken place before the credit limit increase took place in October 2017. I think that had these checks happened, NewDay would have realised that providing this limit increase wasn't responsible. I have nothing to suggest that Mrs H's financial situation improved over the following months and so I do not think the further credit limit increases on this credit card should have taken place.

Given Mr H's £8,000 limit on her Evans credit card and her use of this, I didn't think that NewDay should have considered providing a further credit card in August 2019 responsible.

As no new information was provided in response to my provisional decision, my conclusions haven't changed, and I am upholding this complaint in regard to the credit limit increases on Mrs H's Evans credit card from October 2017 onwards and in regard to her Amazon credit card.

Putting things right

I uphold this complaint in regard to the credit limit increase in October 2017 and subsequent increases on Mrs H's Evans credit card and I do not think that the Amazon credit card should have been provided.

To settle this complaint, NewDay Ltd should:

- Rework Mrs H's Evans credit card account removing all interest and charges that have been applied to any balance above £1,500 from October 2017. Any refund should be applied to reduce Mrs H's outstanding balance. In the event the refund results in an overpayment, this should be refunded to Mrs H along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Refund all interest and charges on Mrs H's Amazon credit card account. Any refund should be applied to reduce Mrs H's outstanding balance. In the event the refund results in an overpayment, Mrs H should be paid 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded about Mrs H's Evans credit card account from October 2017 and any adverse information recorded about Mrs H's Amazon from Mrs H's credit file.

*HM Revenue & Customs may require the business to take off tax from this interest. If it does, NewDay must give the Mrs H a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I partially uphold this complaint. NewDay Ltd should take the actions set out above in resolution of this complaint.

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

Jane Archer
Ombudsman