

## **The complaint**

Ms P has complained that NewDay Ltd trading as Marbles Card irresponsibly lent to her.

## **What happened**

Ms P was provided with a Marbles branded credit card, which had an initial credit limit of £450, in May 2019. The credit limit on this account was increased on five occasions until it reached £6,200 in May 2021.

Ms P says that at the time of the credit limit increases she was unable to repay her debt and was reliant on her credit card. She says she was overdrawn on three accounts and was struggling financially. She says the credit limit increases put her further in debt and contributed to her financial hardship.

NewDay said that adequate checks were carried out before each credit limit increase and that Ms P was managing her account well.

Our investigator reviewed what Ms P and NewDay had told us. He thought that NewDay shouldn't have provided the credit limit increase in August 2019, or any subsequent credit limit increases. So, he partially upheld Mr M's complaint.

NewDay didn't agree and so the case was passed to an ombudsman for review.

## **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Ms P's complaint.

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 Ms P 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 Ms P's income and expenditure.

When Ms P opened her account NewDay conducted a credit check. This showed that Ms P had two defaulted accounts with a total balance of £500. The most recent default was recorded as being 14 months prior. It also showed that Ms P had £3,900 of unsecured borrowing. The affordability checks carried out at the time of application recorded Ms P as being a student living with parents with a gross annual income of £26,000.

I note the credit report received by NewDay showed Ms P had no accounts in arrears and no public records at the time. I also note the defaults were historic. However, the most recent default was only just over a year old and I think this showed signs that Ms P had previously

struggled to manage her money. She also had unsecured debt that needed to be repaid. Therefore, I think it would have been important to understand Ms P's income. I can see that she was recorded as being a student with an annual income of £26,000. There is no further detail about Ms P's source of income at that time. Ms P has provided copies of her bank statements, but I do not have these for the period leading up to the application. Therefore, noting the credit limit of £450 and given the credit check didn't raise any current concerns, I do not find that I have enough to say that NewDay was wrong to provide the credit card.

Ms P had only had the credit card account for three months when a credit limit increase was applied. The limit was increased to £1,450, over three times the original limit. I note NewDay's comments about using current account turnover (CATO) data to assess affordability and that it wasn't required to gather payslips or bank statements. While I agree that relying on the CATO data could be proportionate in certain circumstances, I think that given the size of the increase, that Ms P had only had the credit card a short period and noting the other information gathered, further checks should have taken place before NewDay could be satisfied that Ms P would be able to afford the additional borrowing.

NewDay's data shows that Ms P was making large payments towards her card each month in order to facilitate high usage of the card. While I note NewDay's comment about this I do not find this necessarily shows that further lending would be affordable. I say this as Ms P was spending and repaying but her outstanding balance was increasing, and I think that further checks should have taken place to understand Ms P's financial situation.

I cannot say for certain what information would have been received had further checks taken place but having looked at Ms P's credit report from the time and copies of her bank statements, these showed that she had three bank accounts operating at or beyond their overdraft limits. This shows signs of financial difficulty and I think NewDay should have been concerned that increasing Ms P's credit limit at that time, and by the amount it did, was likely to be unsustainably affordable for Ms P.

NewDay applied further credit limit increases to Ms P's account. As I have nothing to suggest that Ms P's financial circumstances improved such that the concerns set out above were no longer relevant, I do not find it reasonable that NewDay applied the subsequent credit limit increases.

### **Putting things right**

As I don't think NewDay should have increased Ms P's credit limit from £450, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Ms P has had the benefit of all the money she spent on the accounts, so I think she should pay this back (if this hasn't already happened). Therefore, NewDay should:

- Rework the account removing all interest and charges that have been applied to balances above £450 from 19 August 2019.
- If the rework results in a credit balance, this should be refunded to Ms P along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information recorded after August 2019 regarding this account from Ms P's credit file.
- Or, if after the rework the outstanding balance still exceeds £450, NewDay should arrange an affordable repayment plan with Ms P for the remaining amount. Once Ms P has cleared the outstanding balance, any adverse information recorded after August 2019 in relation to the account should be removed from her credit file.

\*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Ms P a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting tax.

### **My final decision**

For the reasons I've explained, I'm upholding Ms P's complaint. NewDay Ltd trading as Marbles Card should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 7 October 2022.

Jane Archer  
**Ombudsman**