

The complaint

Mrs W complains that NewDay Ltd ("NewDay") irresponsibly granted her three credit card accounts that she couldn't afford to repay.

What happened

Mrs W entered into agreements with NewDay to have access to credit with three separate credit card accounts. The first, a Marbles account, was opened for her in March 2018 with a credit limit of £450. The second, a Debenhams account, was opened for her in June 2018 with a credit limit of £600. The third, a Fluid account, was opened for her in May 2019 with a credit limit of £900.

Mrs W says that NewDay didn't complete adequate affordability checks when it opened each of these accounts. She says if it had, it would have seen that each agreement wasn't affordable for her as she didn't have enough income to make repayments.

NewDay didn't agree. It said that it carried out a reasonable and proportionate assessment to check Mrs W's financial circumstances before granting her the credit accounts for each card.

Our adjudicator didn't recommend the complaint be upheld. She thought NewDay didn't act unfairly or unreasonably by approving each of the accounts.

Mrs W didn't agree and so her complaint has been passed to me for a final 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.

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting each of these accounts, NewDay looked into Mrs W's financial situation.

Marbles

Before opening the Marbles account, I think NewDay gathered a reasonable amount of evidence and information from Mrs W about her ability to repay. This included completing a credit check. This showed she had around £11,200 in unsecured borrowing and ongoing credit commitments. It also showed there were also no defaults against any of her borrowing and nor were there court judgments registered against her. However, just because I think it

carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence NewDay gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mrs W. I say this because Mrs W's card application details showed her as having an annual income of around £18,000 and that she was a tenant. So given her financial history and the income she'd declared alongside the relatively low credit limit she'd been given, I don't think NewDay acted unfairly when approving the finance application.

Debenhams

At the time of granting the Debenhams account, Mrs W still had an annual declared income of around £18,000, although her residential status at that time wasn't clear. The credit carried out at the time showed her owing £13,200 to creditors. Given this increased amount due, plus the additional credit she was now being granted, I think it would have been proportionate for NewDay to carry out better checks in order to understand Mrs W's financial situation, especially as there was an increased likelihood that she could be experiencing financial difficulty. So I think NewDay ought to have taken steps to find out more about Mrs W's daily spending commitments, including her regular living costs.

I think that had NewDay carried out further checks, it would likely have found that she had enough disposable income available to meet her existing financial commitments whilst maintaining her new account. I say this because the bank statements I've seen from around this time show it's likely that Mrs W had enough disposable income available each month to be able to at least meet her monthly minimum payment requirements. I say this given that I agree with our adjudicator that she had a monthly income that worked out at around £1,300 per month, with committed expenditure of around £837. If NewDay had completed proportionate checks by looking at these, I think it's likely it would have found this to be the case. That means I don't consider that NewDay acted unfairly in granting Mrs W this account.

Fluid – account opened May 2019

At the time of granting the Fluid account, Mrs W still had an annual declared income of around £18,000, although at this point she was living with her parents. Whilst she still had the same number of creditors, the credit check showed her as having £16,200 owed to creditors. Only this and the Debenhams account were still operating at this time, so Mrs W had a combined credit limit from them of £1,500. But again, given that Mrs W had increased her level of debt further without benefiting from an increase in her income, I think it would have been proportionate to find out more about her committed expenditure. So I think it would have been appropriate for NewDay to carry out better checks in order to understand Mrs W's financial situation at this point. I've seen that Mrs W's daily spending commitments, including her regular living costs, worked out at around £810 per month.

But here too, I think that had NewDay carried out further checks, it likely would have found she had enough disposable income available to meet her existing financial commitments whilst maintaining her new account. I say this having reviewed bank statement information that Mrs W sent us from around the time this account was opened, taking into account her regular financial commitments and living expenses.

In conclusion, having looked carefully at all the available evidence and information, I don't think Mrs W has been able to demonstrate that any of these credit card agreements with

NewDay were likely to have been unaffordable. So I can't reasonably conclude that NewDay ought to have known she would struggle to make the repayments.

I'm therefore not persuaded that NewDay acted unfairly in approving each of these three accounts.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 2 August 2022.

Michael Goldberg

Ombudsman