

The complaint

Ms B complains that NewDay Ltd ("NewDay"), trading as Marbles, provided credit that she couldn't afford to repay.

What happened

NewDay approved a credit card application for Ms B in July 2018. The credit limit was set at £300 and was increased to £1,300 in February 2019. In April 2020 the limit was reduced

Ms B says that NewDay were wrong to provide credit as it wasn't affordable for her.

NewDay disagree. They say that when they approved the credit card application they reviewed Ms B's credit file and found she had six accounts defaulted 33 months earlier with a value of £9,800 and a public record totalling £9,300 from 42 months earlier. They also noted that Ms B had £200 of unsecured debt she had been servicing well. Ms B had told them she was earning £20,000 a year and NewDay thought there was no reason to suspect she couldn't afford the credit they were offering or the subsequent limit increase.

Our investigator thought that NewDay shouldn't have approved the credit card application and she suggested NewDay should take some action to remedy the situation. But as NewDay didn't respond to her view the complaint has been referred to me, an ombudsman, 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

I think NewDay completed proportionate checks before approving the credit card. They reviewed Ms B's credit file and gathered some information from her about her income and circumstances. But I think the information they gathered should have raised concerns about Ms B's ability to repay the credit they were providing sustainably.

That's because the credit file showed Ms B had had significant other debt (greater than her net income) and she hadn't been able to manage that and it was still outstanding. Whilst she had been able to manage the limited unsecured debt on her file I think the outstanding defaults and public records (County Court Judgments or bankruptcies) suggested Ms B was unlikely to be able to sustainably afford to repay the credit provided in the initial application. I think NewDay were therefore irresponsible to increase Ms B's indebtedness.

I've not seen evidence to suggest there'd been a sustained improvement in Ms B's financial situation at the time NewDay increased her limit in February 2019. It's clear Ms B had maintained repayments, but she'd also gone over limit a few months earlier and I've not

seen evidence that the defaulted debt or debt pertaining to the public record had been repaid. So, I don't think NewDay were right to increase her indebtedness further and I think the additional lending was also irresponsible.

Putting things right

As I don't think NewDay should have approved the card, I don't think it's fair for it to charge any interest or charges. However, Ms B has had the benefit of all the money she spent on the account so I think she should pay that back. NewDay should:

- Rework the account removing all interest, fees, charges, and insurances (which have not already been refunded).
- If the rework results in a credit balance, this should be refunded to Ms B 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 regarding this account from Ms B's credit file.
- Or, if after the rework there is an outstanding balance to pay, NewDay should arrange an affordable repayment plan with Ms B for the remaining amount. Once Ms B has cleared the outstanding balance, any adverse information recorded in relation to the account should be removed from her credit file.

If the debt has been sold to a third party, NewDay should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*If HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Ms B 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 the tax.

My final decision

I uphold this complaint and direct NewDay Ltd to 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 B to accept or reject my decision before 23 September 2022.

Phillip McMahon
Ombudsman