

The complaint

Miss N complains that NewDay Ltd lent to her irresponsibly and charged high rates of interest.

What happened

Miss N took out an Aqua credit card with NewDay in March 2017 with an initial credit limit of £900, followed by three credit limit increases. The account was settled and closed in April 2020. Miss N then took out an AO Finance account in July 2020 with an initial credit limit of £2,500. As well as a Fluid credit card account in September 2020 with an initial credit limit of £1,200, with a credit limit increase on 8 February 2021 to £2,700.

Miss N complained to NewDay and said they irresponsibly gave her high interest rate credit cards and increased her credit limit. She said this put her into further debt which she couldn't afford to repay. NewDay responded and said that they completed an affordability check that reviewed the information Miss N provided as well as a credit file check for every application, so they provided the credit correctly. Miss N referred her complaint to our service.

Our investigator looked into the complaint and felt that NewDay had been irresponsible when it issued Miss N with the credit cards and increased the limits on them. They felt that NewDay didn't carry out proportionate checks and if they had have done, they would have found that Miss N could not sustainably afford the borrowing.

NewDay disagreed with this and felt that they had carried out the necessary checks to attain that Miss N could afford the credit cards. And that she had maintained the accounts well throughout the time she held them.

The complaint was passed to me and reviewed all of the evidence available to me. I did not agree, based on what I'd seen, that NewDay had lent to Miss N irresponsibly. My provisional decision read as follows:

Aqua credit card

I've considered each account in turn and have started with the Aqua credit card account. From the application data provided, it appears that the credit card was applied for via postal application, meaning there was no human interaction with NewDay during the process. I've firstly considered if NewDay carried out appropriate checks that were proportionate to the borrowing that Miss N was applying for.

I can see that NewDay had information from the form Miss N completed as well as information it received from credit referencing agencies. Miss N listed her income as £38,500 and she had other household income of £1,820. It also said she had unsecured debt of £19,100 and a mortgage for £129,000. A search of her credit file showed she had 6 active accounts with no defaults, no adverse information, no payday loans and no accounts in arrears. Based on this information, it accepted her application and gave her a £900 credit

limit.

The £900 credit limit had the possibility of increasing Miss N's unsecured debt to £20,000, which is half of her annual income. This is relatively high, but not necessarily unaffordable so I've considered what else NewDay knew. Their credit file search showed that Miss N was able to handle her accounts well and had no adverse information recorded on her credit file about her accounts. At that time, she had six active accounts which wasn't excessive, and she was able to maintain her repayments on them all. Because of this, I think that these checks were proportionate to the £900 credit limit it applied to Miss N's account and it didn't need to carry out additional checks to ensure the borrowing was affordable.

I've gone on to consider the credit limit increases that were made over the following year. The first was in June 2017 and the limit increased from £900 to £1,900. NewDay has said it was not obliged to check Miss N's income and expenditure when increasing the credit limit and that it carried out the relevant checks for the type of credit offered.

NewDay has provided a summary of Miss N's risk and affordability information which it used to assess her affordability for the credit limit increase. This included information on how she had been using the account such as the running balance, any late payments as well as information from her credit file about any arrears, payday loans and total balance of debt across her accounts.

This showed that at the time of the increase to £1,900 in June 2017, Miss N was utilising around two thirds of the credit limit on the account and had maintained the account well since she received it. Notably, there were no balance transfers or money transfers on the accounts and it was used for retail spending, so it doesn't appear to have been used to manage debt. Miss N was paying more than the minimum payments and had no adverse information recorded on her credit file. Because of this, I don't think NewDay needed to carry out any additional checks in relation to what they had already considered. And I think it was reasonable for them to increase Miss N's credit limit to £1,900.

The credit limit on the account was then increased to £2,650 in October 2017. NewDay used the same, updated risk and affordability information that they used for the earlier increase. This again showed that Miss N had been making her monthly payments on time though she had gone over the limit in August 2017 for a short period. Once again, there was no adverse information on her credit file and Miss N did not appear to be using the account to manage debt. While I recognise it had only been four months since the previous increase, there was nothing to suggest this was inappropriate or unaffordable for Miss N at that time. So, I don't think NewDay needed to carry out any additional checks and that it was reasonable for them to increase Miss N's credit limit to £2,650.

The final credit limit increase occurred on 2 March 2018 and the limit increased to £3,400. NewDay again had access to the same updated risk and affordability information. This again showed no adverse information recorded on her credit file, as well as no payday loans. Miss N had managed her account well up to that point; she had not incurred any late payment fees and was meeting the minimum monthly payments. As Miss N was managing her account well and didn't appear to have any issues maintaining her other borrowing, I think it was reasonable for NewDay to rely on these checks and I don't think it needed to carry out any additional ones. Based on this information, there was nothing that indicated to NewDay that a credit limit increase to £3,400 would be unaffordable for Miss N.

In summary, I think NewDay made proportionate checks when assessing the affordability of the credit card account's initial limit and the later increases. And I think the borrowing was affordable for Miss N at the time.

AO Finance

Miss N took out the AO Finance account in July 2020 which had a credit limit of £2,500. Looking at the evidence provided, Miss N applied for the account online. This means there was once again no human interaction with NewDay when she was making the application. I've firstly considered if NewDay carried out appropriate checks that were proportionate to the borrowing that Miss N was applying for.

NewDay had the information Miss N provided in the online form as well as information recorded on her credit file. This said that Miss N's gross income was £38,500, she had 8 active accounts with no payday loans, no defaults, no accounts in arrears, unsecured debt of £7,000 and a mortgage of £259,000.

Based on this information, it appeared that Miss N had relatively high income and comparatively low unsecured debt. She appeared to be maintaining her other accounts well and there was no adverse information on her credit file. On balance, I think the checks were proportionate to the level of borrowing Miss N had applied for and I don't think it needed to carry out additional ones. Based on the information available to NewDay, I think the credit limit of £2,500 was reasonable in the circumstances.

Fluid credit card

In September 2020 Mrs M applied for a Fluid credit card and the evidence suggests this was also completed online. The initial limit was £1,200 and this is what I've considered first. The information Miss N submitted on the application showed she had an annual gross income of £38,500 with other household income of £34,500. She had unsecured debt of £12,000 and a mortgage of £259,000. NewDay also had information from her credit file which showed she had 7 active accounts with no payday loans, no defaults and no accounts in arrears.

Miss N's unsecured debt was around a third of her annual income, which I don't think was necessarily unaffordable when you also consider the other information available to NewDay. The credit file search again showed Miss N was able to handle her accounts well and there was no adverse information on her credit file. She had seven active accounts which wasn't an excessive amount and appeared to be able to maintain her payments well on all of them. Overall, I think the level of checks NewDay carried out at the time Miss N took out the Fluid credit card was proportionate to the £1,200 credit limit it gave her. So I don't think it needed to carry out additional checks to make sure the borrowing was affordable.

The credit limit on the Fluid credit card was then increased on 8 February 2021 to £2,700. I've reviewed the risk and affordability information that was available to NewDay at the time. This showed no change to Miss N's credit file, she was still managing all of her accounts well and she had been meeting the monthly payments on the Fluid credit card consistently. She appeared to be using the credit card for retail shopping and didn't appear to be using it to manage debt. So, on balance, I think the checks NewDay made when deciding to increase the credit limit were proportionate, and I think the increase was affordable for Miss N.

Summary

Based on what I've seen so far, I currently think that NewDay have carried out appropriate and proportionate checks when assessing Miss N's ability to repay the debt at each stage. From what I've seen, it has applied interest rates in line with the terms and conditions of the

account which Miss N has agreed to when she took out the credit at each stage. So, I don't think this was unreasonable in the circumstances. I'm therefore currently minded not to uphold this complaint.

NewDay responded and accepted my provisional findings.

Miss N responded and said that she had a similar complaint with our service about a loan with a separate provider from around the same time which was upheld. Because of this she did not accept my findings.

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.

I've considered Miss N's comments. I appreciate it must be frustrating that another complaint Miss N has brought to our service which she feels is similar has been upheld, whereas this one has not. Ultimately, this is because every case is considered on its individual merits and just because one case is upheld, does not mean that another will. This is because there are a lot of factors that affect whether or not a business has lent irresponsibly.

I've explained in my provisional decision why, in this particular case, I think that NewDay has carried out checks that are proportionate to the level of borrowing at each point and that they didn't need to carry out any additional checks, such as reviewing Miss N's bank statements. And I explained why I'm satisfied, based on the information available to them, that NewDay lent to Miss N responsibly at that time.

As I've seen no further evidence or comments to change my opinion, I see no reason to deviate from the findings set out in my provisional decision.

My final decision

I do not think NewDay Ltd has lent to Miss N irresponsibly and I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 8 December 2022.

Rebecca Norris

Ombudsman