

## **The complaint**

Miss A complains that NewDay Ltd was irresponsible in its lending to her.

## **What happened**

Miss A was provided with an Aqua branded credit card, which had an initial credit limit of £600, in July 2014. The credit limit on this account was increased on three occasions until it reached £2,300 in July 2018.

NewDay also provided Miss A with a Marbles branded credit card, which had an initial limit of £900, in December 2015. The credit limit on this account was increased on two occasions until it reached £2,500 in June 2018. The limit was then decreased on two occasions leaving a limit of £2,300 from July 2020.

NewDay also provided Miss A with an Amazon branded credit card, which had an initial limit of £500, in November 2018. The credit limit on this account was increased to £1,400 in April 2019.

Miss A said that the lending was unaffordable as she had several payday loans at the time as well as other unsecured debts. She says adequate checks didn't take place to ensure she could afford the repayments.

NewDay said that checks were carried out before the credit cards were provided and that Miss A met its lending criteria. It said it regularly reviews its customers' accounts and this can result in changes to the credit limit. It said the credit limit increases took place within its policy and that proportionate checks took place. However, it upheld Miss A's complaint in regard to her Amazon credit card from the credit limit increase in April 2019. It refunded £24 in late payment fees, £192 in over limit fees, £3 in cash advance fees and made a proportionate interest refund of £250.64. These were applied to Miss A's Amazon account.

Our investigator reviewed what Miss A and NewDay had told us. He thought that NewDay shouldn't have provided Miss A with the Marbles or Amazon credit cards or any of the subsequent credit limit increases. He also didn't think that NewDay should have increased Miss A's credit limit on her Aqua credit card in July 2017 or July 2018.

NewDay didn't agree with our investigator's view. It said it didn't ask for (and wasn't required to collect) evidence of income and expenditure in the form of payslips or bank statements. It said until March 2016 it relied on information from a single credit reference agency. It then used three credit reference agencies and in June 2018 started to use current account turnover data. It said its lending decisions were based on the information available at the time and that its checks were proportionate.

As a resolution hasn't been agreed, this case has been passed to an ombudsman for a 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.

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 Miss A'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 Miss A 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 Miss A's income and expenditure.

### *Aqua card – initial lending decision and first limit increase*

Miss A was provided with an Aqua credit card in July 2014 with a credit limit of £600. At the time of her application she was recorded as having an annual income of £21,500. She was noted as living with parents and had unsecured balances of £1,400. A credit check took place and while a defaulted account was noted this was from 56 months prior. There were no accounts recorded as in arrears. I do not find that the information collected at the time of application raised concerns that would mean a credit limit of £600 should be considered unaffordable.

The credit limit on Miss A's Aqua card was increased to £800 in January 2015. I can see that before this increase, Miss A had exceeded her credit limit in one month. However, she also made repayments in excess of the minimum in other months. Therefore, noting the size of the limit increase and the other information available, I do not find that I have enough to say that this increase should've have been applied.

### *Marbles card*

Miss A was provided with a Marbles credit card in December 2015, with a credit limit of £900. The checks carried out before this card was provided show Miss A as being employed and her annual income is recorded as £1,700. I have looked at Miss A's banks statements from the time and these show a monthly income of around £1,700 and so I have accepted the figure was incorrectly input and her assessment was most likely based on a monthly income of £1,700. NewDay carried out a credit check and this didn't show any arrears, defaults or other issues that would raise concerns. However, Miss A had gone over her limit on her Aqua card five times in the previous 12 months and her balance was around the credit limit. I think this should have raised concerns that meant further checks were undertaken.

I cannot say what would have been disclosed had further questions been asked about Miss A's income and expenses but in the absence of any other information I have relied on information from Miss A's banks statements and credit report. These show that Miss A was operating in her overdraft and was going over the overdraft limit on several occasions. In the months leading up to the provision of the Marbles card, Miss A also took out several payday loans. I think that this shows Miss A was struggling financially. Had proportionate checks taken place I think NewDay would have realised this.

I cannot see that Miss A's financial circumstances improved before the credit limit increase was applied in December 2016. Miss A's debts were increasing (from around £3,500 in March 2016 to over £6,000 in December 2016) and she had gone over her credit limit on

several occasions. Miss A also went over the new credit limit two months before it was further increased in June 2018 by which point her debts had increased to over £9,000.

Given the reasons above, I do not find that NewDay should have been considered the provision of the Marbles card and subsequent credit limit increases as affordable for Miss A.

#### *Aqua credit card limit increases July 2017 and July 2018*

The credit limit on Miss A's Aqua credit card was increased to £1,400 in July 2017. By this time, Miss A had taken out the Marbles credit card alongside her Aqua credit card and was utilising over 90% of the limits on each. Her debts were increasing and her repayments towards her credit cards weren't reducing her balances in any significant way. NewDay's data showed Miss A was making use of payday loans around the time of the increase.

The credit limit was then increased to £2,300 in July 2018. This was a month after the credit limit on Miss A's Marbles credit card was increased. Miss A's debts were increasing and were recorded as being over £11,700 at this time and she was still making use of payday loans. Therefore, I cannot say that her circumstances had changed such that the limit increase should have been considered reasonable.

Given the above I do not find that the credit limit increases that took place in July 2017 and July 2018 should have been considered affordable for Miss A.

#### *Amazon card*

Miss A was provided with an Amazon credit card account in November 2018. The credit limit was £500. At this time her monthly income was recorded as being £2,644 and her living expenses as £850. This could suggest a low credit limit would be affordable but considering the other information NewDay had about Miss A, including this being her third credit card with NewDay, I do not find it was reasonable this credit card account was provided. I say this as the data NewDay gathered showed Miss A had £1,240 of payday loans and £14,900 of unsecured debts. The data on the other credit cards showed that Miss A's debts had been increasing since she was first provided credit by NewDay and her total debts were recorded on the other credit card data as being just under £20,000. Miss A was utilising the credit limits on her other cards and her monthly payments weren't significantly reducing her balances, instead her overall debts were increasing.

Based on the above, I do not find that NewDay should have considered providing further credit at this time as sustainably affordable for Miss A and so I do not think the Amazon credit card should have been provided.

#### **Putting things right**

As I don't think NewDay ought to have opened the Marbles or Amazon accounts, I don't think it's fair for it to be able to charge any interest or charges under the credit agreements. As I don't think NewDay should have increased Miss A's credit limit from £800, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Miss A has had the benefit of the money they spent on the account so I think she should pay this back. Therefore, NewDay should:

#### *In regard to the Marbles and Amazon accounts:*

- Rework the Marbles and Amazon accounts removing all interest, fees, charges and insurances (which have not already been refunded) that have been applied.

- If the rework results in a credit balance, this should be refunded to Miss A 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 regarding these accounts from Miss A's credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Miss A for the remaining amount. Once Miss A has cleared the balance, any adverse information in relation to these accounts should be removed from her credit file.

*In regard to the Aqua account:*

- Rework the account removing all interest, fees, charges and insurances (which have not already been refunded) that have been applied to balances above £800.
- If the rework results in a credit balance, this should be refunded to Miss A 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 July 2017 regarding this account from Miss A's credit file.
- Or, if after the rework the outstanding balance still exceeds £800, NewDay should arrange an affordable repayment plan with Miss A for the remaining amount. Once Miss A has cleared the outstanding balance, any adverse information recorded after July 2017 in relation to the account should be removed from their credit file.

\*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Miss A 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 Miss A's complaint in part 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 Miss A to accept or reject my decision before 21 September 2022.

Jane Archer  
**Ombudsman**