

## **The complaint**

Mrs S complains that NewDay Ltd lent to her irresponsibly. She says the lending was unaffordable for her.

## **What happened**

Mrs S took out a credit card with NewDay, branded as 'Aqua', in April 2018. It had an initial credit limit of £450.

In September 2018, Mrs S took out another credit card with NewDay, branded as 'Amazon'. This had an initial credit limit of £600, making her total credit over both cards £1,150.

The Aqua card had a further credit limit increase in December 2018 and the Amazon card had two credit limit increases – in July 2019 and November 2019.

Mrs S says that NewDay shouldn't have lent to her. She says she couldn't afford the repayments and that the credit limit increases made things worse.

Our adjudicator thought that Mrs S's complaint should be partially upheld. She thought that NewDay shouldn't have increased Mrs S's credit limit on the Aqua card in December 2018 or on the Amazon card from November 2019.

NewDay agreed with this approach and agreed to pay back the relevant interest and charges. Mrs S disagreed, though. She thought that she shouldn't have been given any increase in her credit limit on the Amazon card at all.

As Mrs S didn't agree, her complaint was passed to me to make a decision. When I reviewed the case I came to a different decision to our adjudicator. I agreed with Mrs S that NewDay shouldn't have provided her with the Amazon card at all.

I invited both parties to provide me with any further comments they wanted me to consider before I made my final decision. Mrs S agreed with my decision; NewDay didn't respond. As NewDay didn't respond I am writing this final decision so it is clear what is required of NewDay.

## **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 considered Mrs S's complaint.

Having done so, I came to a slightly different conclusion to our adjudicator. I think that

NewDay shouldn't have provided Mrs S with the Amazon card at all. I'll explain why I've have reached this decision.

NewDay needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs S 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, Mrs S's lending history and Mrs S's income and expenditure.

I agreed with our adjudicator that before the Aqua account was opened that NewDay carried out proportionate checks. It asked about Mrs S's income, employment status, residential status and information about her levels of debt at the time. It also completed a credit check to understand her financial circumstances. Having looked at the outcome of these checks and enquiries I think NewDay made a fair lending decision and the credit was likely to have been affordable for Mrs S.

On 19 September 2018 Mrs S opened her Amazon account with an initial limit of £600. This means that Mrs S's overall credit limit with NewDay was £1,050.

Again, the same principles about proportionate checks applied here. Mrs S's income and household expenses hadn't changed significantly in the five months since she'd opened her Aqua account. She didn't have any arrears or defaults. NewDay says Mrs S was making regular payments of more than the minimum amount on her Aqua account and that she was managing her account well. Our adjudicator agreed and considered that NewDay had provided Mrs S with an agreement that was likely to be affordable. However, I disagreed that Mrs S had been managing her existing Aqua account well.

Mrs S had spent over her credit limit in two out of the four months between the two account openings and she'd made a late repayment in month four – each of these incurred a fee. Her balances across all her credit card accounts (not just those provided by NewDay) had increased by over £3,500 in a short time and the number of credit accounts she held had increased from five to nine over those same months. So, I think this should have been enough for NewDay to show caution about extending further credit to her. On the information available to NewDay at the time I think it is reasonable to consider that there was evidence to suggest Mrs S was not managing her existing credit commitments well and that further credit may be unaffordable for Mrs S. So, I don't think it should have given Mrs S the Amazon card at all.

Mrs S's credit limit on her Aqua card was increased to £1,100 in December 2018, giving Mrs S an overall credit limit across both cards of £1,700. NewDay agreed that it shouldn't have increased her limit at that time. Our adjudicator said that was because from August 2019 Mrs S exceeded her credit limit and was making regular cash transactions, which should have suggested financial difficulty. I don't think it's generally reasonable to hold a business accountable for things that happen *after* credit is extended unless there is evidence at the point of the increase that it shouldn't have been provided in the first place.

In this case, I consider that there was evidence before the increase was provided. As I have already said, I don't think NewDay should have provided Mrs S with further credit in the form of the Amazon card three months earlier. NewDay should have looked holistically at the credit it offered Mrs S across both cards. Nothing happened in the intervening months to suggest Mrs S's situation had significantly changed. In fact, she had made two further late payments on her Aqua card and had incurred over limit fees on her Amazon account by then.

So, I don't think NewDay should have provided any increase in Mrs S's credit on her Aqua

card after she opened her Aqua account and I don't think NewDay should have provided Mrs S with the Amazon card at all.

### **Putting things right**

As I uphold this complaint in part, I think to put things right it is fair and reasonable for NewDay to refund any interest and charges incurred by Mrs A on balances above £450 from 4 December 2018 and any interest and charges on the Amazon account. To reflect this, NewDay should:

- Remove all interest and charges on balances above £450 on the Aqua card and on any balance on the Amazon card incurred from 19 September 2018 (which is when the Amazon account was opened).
- Work out how much Mrs S would have owed after the above adjustments. Any repayment Mrs S made since 4 December 2018 should be used to reduce the adjusted balance.
- If this clears the adjusted balance any funds remaining should be refunded to Mrs S along with 8% simple interest\* calculated from the date of overpayment to the date of settlement.
- If after all the adjustments Mrs S no longer owes anything then all adverse information regarding the accounts should be removed from the credit file from 19 September 2018.
- Or, if an outstanding balance remains, NewDay should look to arrange an affordable payment plan with Mrs S for the outstanding amount. If any debt was sold to a third party NewDay must either repurchase the debt or liaise with the third party to ensure the above steps are undertaken. Once Mrs S has cleared the balance any adverse information should be removed from the credit file.

\*HM Revenue & Customs requires Shop Direct to deduct tax from any award of interest. It must give Mrs S a certificate showing how much tax has been taken off if she asks for one.

### **My final decision**

I partially uphold Mrs S's complaint as explained above. I direct NewDay Ltd to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 11 October 2022.

Sally Allbeury  
**Ombudsman**