

The complaint

Mr W complains that NewDay Ltd trading as Marbles irresponsibly granted credit that he couldn't afford to repay.

What happened

NewDay approved a credit card application for Mr W in June 2021. It provided an initial credit limit of £450. This was increased to £1450 in October 2021.

Mr W says NewDay were wrong to provide credit as it wasn't affordable for him.

NewDay disagrees. It says when it approved the credit card application it reviewed Mr W's credit file. It said there was only £400 of unsecured debt, 4 defaults (with the last one being recorded 21 months prior to the application) and 1 public record (recorded 15 months prior to the application). And when NewDay increased the credit limit, it said it had reviewed Mr W's account performance and had found the credit affordable.

Our investigator thought that NewDay had carried out proportionate checks and that the lending decision was fair.

Mr W didn't agree so I've been asked to make 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 here.

Account opening

I think NewDay completed proportionate checks before approving the credit card. It reviewed Mr W's credit file and gathered information about his income and outgoings. I don't think the information gathered would've given cause for concern. The credit check showed a previous CCJ and 4 accounts in default. However, all of these were well over a year before the application. The credit checks also showed that Mr W had unsecured debt of £400, which was proportionate to his income of £21,400, and that there were no accounts in arrears.

I don't think it would've been proportionate for NewDay to have completed any further checks. It didn't need to review Mr W's bank statements.

Credit limit increase

NewDay has explained that it checked Mr W's credit file and considered the information it had obtained about his income and expenditure before it approved the credit limit increase. It took account of Mr W's account performance since it opened.

Because the credit limit was increased significantly, I think it would've been proportionate if, in addition to the checks already carried out, NewDay had carried out further checks to find out more about Mr W's income and expenditure, including other credit commitments at the time.

Because of this, I've looked at Mr W's bank statements for the last 3 months leading up to the credit limit increase. The statements show that Mr W's monthly income was around £1500 and that he was making repayments to other credit providers. But there's nothing in the bank statements to suggest that the increased credit limit wasn't affordable, or that Mr W wouldn't be able to sustainably repay the credit. Therefore, had NewDay looked at this information, I think it would've reached the same conclusion and found the credit limit increase to be affordable.

I think NewDay carried out reasonable and proportionate checks before approving the credit card and before approving the credit limit increase. These checks didn't identify any sign of financial difficulty or suggest that the loan was unaffordable. In the circumstances, I don't think the personal and financial problems Mr W was experiencing could fairly have been identified by NewDay and I don't think the credit was advanced irresponsibly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 November 2022.

Emma Davy
Ombudsman