

## **The complaint**

Ms R complains NewDay Ltd (NewDay) increased the credit limit on her credit card account, despite having made them aware of her personal circumstances.

## **What happened**

Ms R says she held two credit card accounts with NewDay. Ms R says she was struggling financially and was suffering with mental health issues and informed NewDay of this in early September 2021, but despite this NewDay increased the credit limit on one of her credit cards (Card2) from £1,650 to £3,150, only a couple of weeks later. Ms R says she has struggled to cope with the issues caused by her financial problems, and this has been added to by NewDay and even when she provided NewDay with details of her mental health issues it ignored this.

Ms R feels although NewDay have admitted it should not have increased her limit to £3,150 once she informed them of her mental health issues and it refunded some interest, she doesn't feel this goes far enough and wants NewDay to write off the balance and close the credit card account.

NewDay says as far as Card1 was concerned it had carried out sufficient and adequate checks before providing the credit facilities on the account. NewDay also felt it had responsibly provided facilities on Ms R's Card2 but accepted that when it was informed of Ms R's mental health issues in September 2021, it shouldn't have increased the limit to £3,150 at that time. To put matters right NewDay says it refunded £81.19 representing the additional amount of interest she would have paid as a result of the credit limit increase. Ms R wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the information available and upheld part of Ms R's complaint. The investigator felt NewDay had acted fairly when providing the credit card accounts and limit increases on both Card1 and Card2, up until Card2's credit limit was increased to £1,650 in May 2021. The investigator felt there was sufficient evidence to show Ms R's borrowing was increasing at this point and NewDay should have obtained further information from Ms R. The investigator says he obtained bank statements from Ms R and these indicated her income at the time the credit limit was increased in May 2021 was barely covering her outgoings. The investigator felt that if NewDay had carried out further checks it would have become clear Ms R was unable to afford any further borrowing.

The investigator says although NewDay had agreed to refund any interest on the credit card from the point in which it increased the limit to £3,150, which it had already accepted was wrong, it should now back date any interest refund to reflect the limit increase in May 2021 to £1,650 from £900. Therefore, any interest charged above any borrowing above £900 from May 2021 to date should be refunded to Ms R's credit card account to reduce the balance outstanding.

Ms R was happy with the investigator's view but NewDay didn't agree and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

*I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.*

*I can see Ms R has gone through a difficult time financially and I was sorry to learn of the impact this has had on her mental wellbeing. When looking at this complaint I will consider if NewDay acted responsibly when it provided the two credit cards to Ms R, for the purposes of this complaint to be referred to as Card1 and Card2.*

*Ms R's initial complaint to this service centred around the fact NewDay increased the credit card limit on Card2 even though she had informed them of her mental health issues. The complaint also referenced Card1 with NewDay so I will additionally consider this here. Ms R feels given the stress and worry this has caused her, NewDay should write off the balance of her credit Card2 account and close it.*

*I will firstly look at the Card1 which was taken out in November 2017 with a modest limit of £450 and subsequently increased to £900 in July 2018. From the information I have seen, this credit card account was fully repaid in October 2020 and then not active until its closure in September 2021. When considering if NewDay had lent irresponsibly, I need to be happy they carried out reasonable and proportionate checks, and while there are no defined criteria what these checks must consist of, I am satisfied that the various checks NewDay carried out, as detailed in its final response letter to Ms R were adequate here. I say this as there is no evidence to suggest Ms R was struggling financially, either when the credit card was granted or when the limit was increased to £900 in July 2018, and there was no internal or external data to suggest any financial issues here. So here, the limit was modest and I am satisfied the checks were proportionate.*

*As far as Card2 is concerned again, when the facility of £900 was approved in September 2020 for the reasons I have already explained, given the information available to NewDay, based on external and internal data including the declared income of in excess of £19,000 for Ms R, I am satisfied reasonable and proportionate checks were carried out. Where I don't support the investigator's view is that when the limit on Card2 was increased to £1,650, at that point NewDay should have requested further supporting evidence from Ms R to show the level of credit was affordable, such as bank statements. What is important here is whether or not NewDay's checks were reasonable and proportionate, to approve an uplift in her credit facilities by a further £750 on Card2 to £1,650 and a total exposure of £2,550 (£900 of which wasn't being utilised at that time).*

*It's worth saying what's important here is whether or not NewDay ought reasonably to have realised it was increasing the borrower's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit. But here when the limit was increased, the existing facilities with NewDay had been working reasonably well with no obvious signs of concern and I can't say that Ms R's other external indebtedness was at a level that would raise any immediate concerns.*

*I have also checked Ms R's credit file at the time of the increase to £1,650 in May 2021 and again there's nothing here to suggest Ms R wasn't meeting her financial obligations or any other warning markers that might have alerted NewDay to potential financial issues. It's also fair to say Ms R hadn't told NewDay of any financial problems or health issues when her credit limit was increased in May 2021, so I can't see how NewDay could have been reasonably aware of any financial problems Ms R had at that time.*

*Where I do have an issue, and as accepted by NewDay, is when Ms R told them of her mental health and financial issues in early September 2021, that was the time for NewDay to have taken a more proactive stance and should not have agreed any further increases in Ms R's borrowing. That said NewDay have accepted it made a mistake and have refunded the extra interest charged to the Card2 account, above any borrowing in excess of £1,650, the previous credit limit, this sum amounted to £81.19. But here, I don't feel this goes far enough and more is needed to support Ms R, given what NewDay now know. I propose that NewDay should ensure, if it hasn't already, that any interest charged since September 2021 above any balance of £1,650 is refunded to the credit card2 account, less the £81.19 already refunded. This arrangement should be ongoing until a suitable payment plan is mutually agreed with Ms R taking into account her current financial position.*

*I understand that Ms R wishes for the balance of the credit card2 account to be written off and closed, but given she has benefited from the use of those funds it wouldn't be fair of me to ask NewDay to do this, only that it takes into account what Ms R can reasonably afford, and agrees a suitable and manageable payment plan going forward. Hopefully this will go some way to put Ms R's mind at rest over her ongoing financial commitments to NewDay.*

*While Ms R may be disappointed with my provisional decision, I am satisfied this is a fair outcome here.*

Ms R responded to my provisional decision, but I have heard nothing further from NewDay, so the case has been passed back to me 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.

I gave both Ms R and NewDay until 22 September 2022 to accept or reject my provisional decision. I have heard nothing further from NewDay but Ms R felt more could have been done for her regarding her credit card 2 account.

Ms R feels that the balance on her credit card 2 account should be written off to a sum equal to the earlier limit of £1,650, and for NewDay to agree she can repay this remaining balance over a period of six months. While I understand the point Ms R makes here, as I said in my provisional decision it wouldn't be fair for me to ask NewDay to write off any outstanding debt on that credit card account, as after all Ms R has benefitted from the use of those monies.

With that in mind I see no reason to change or add to my provisional decision and so my final decision remains the same.

While both Ms R and NewDay will be disappointed with my decision, I am satisfied this is a fair outcome here.

### **Putting things right**

I instruct NewDay Ltd, if it hasn't already, to ensure that any interest charged since September 2021 on any balance above £1,650 is refunded to the credit card2 account, less the £81.19 already refunded. This arrangement should be ongoing until a suitable payment plan is mutually agreed with Ms R, taking into account her current financial position.

## **My final decision**

My final decision is that I uphold this complaint.

I instruct NewDay Ltd, if it hasn't already, to ensure that any interest charged since September 2021 on any balance above £1,650 is refunded to the credit card<sup>2</sup> account, less the £81.19 already refunded. This arrangement should be ongoing until a suitable payment plan is mutually agreed with Ms R, taking into account her current financial position.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 21 October 2022.

Barry White  
**Ombudsman**