

The complaint

Miss C complains that NewDay Ltd trading as Marbles was irresponsible in its lending to her.

What happened

Miss C was provided with a Marbles branded credit card with an initial credit limit of £250 in July 2021. The credit limit was increased on two occasions: first in December 2021 to £750 and then in April 2022 to £1,700.

Miss C says that had adequate checks been carried out, NewDay would have realised that the initial lending and subsequent credit limit increases weren't affordable. She said she had struggled with missed payments before the credit card was provided and had a county court judgement against her at the time.

NewDay said that before the credit card was provided it gathered information from Miss C. It said she was recorded as being employed with an annual income of £22,000 and had unsecured debts of £100. It carried out a credit check and said Miss C met its lending criteria. NewDay said that adequate checks were carried out before the credit card was provided and before the credit limit increases took place.

Our investigator didn't think that NewDay should have increased Miss C's credit limit from £750 to £1,700 in April 2022. She didn't think proportionate checks were carried out before the increase. She thought that if NewDay had verified Miss C's financial situation it was likely it wouldn't have offered her a significant increase in her credit card limit due to her circumstances.

NewDay disagreed with our investigator's view. It said it wasn't required to verify Miss C's income and expenditure and the checks it carried out were proportionate. It said based on its checks the credit limit increase was affordable for Miss C.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- The credit search carried out by NewDay before lending to Miss C showed she had seven defaulted accounts totalling £1,600. The most recent default was 42 months prior to the application. It said Miss C had no adverse public records, no payday loans and no accounts in arrears at the time of her application. While this showed that Miss C had experienced previous problems managing her money, given the defaults were historic, and Miss C had declared an annual income of £22,000, I didn't think I had enough to say that providing her with a credit card account with a credit limit of £250 was unreasonable.
- Miss C's credit limit was increased to £750 in December 2021. NewDay said that an in-depth evaluation was carried out before the limit increase was offered. I noted this, but given it was five months since the account was opened and the limit was being increased threefold, I thought it would have been reasonable to carry out further

checks to understand Miss C's income and expenses to ensure the increased credit limit was affordable.

- Miss C wasn't been able to provide copies of her bank statements for the period leading up to the first increase. Without this I focussed my assessment on Miss C's account management in the five months between account opening and the limit increase. Miss C was making regular payments, some of which were substantially higher than the minimum amount. She incurred one late fee, but I didn't find that I had enough evidence to say that this increase shouldn't have been provided.
- In April 2022, Miss C's credit limit was increased to £1,700. This was over six times the initial limit. I looked at Miss C's account management and while I didn't find this raised concerns that would necessarily prevent a further credit limit increase, given the size of the increase I thought that NewDay should have carried out further checks to verify Miss C's income and expenses to ensure the limit increase was affordable. NewDay said that it wasn't required to see copies of Miss C's bank statements, but I thought it was proportionate that NewDay carried out checks that would give a clear picture of Miss C's financial circumstances at that time. Therefore, I looked at Miss C's bank statements as a way of seeing what NewDay would most likely have known had it carried out further checks.
- Miss C's bank statements for the months leading up to the April 2022 credit limit increase showed she was receiving around £2,200 a month. Her income was predominantly from benefits. She had some regular commitments and her outgoings tended to be similar to her income. However, she was spending on essential as well as non-essential items and making repayments towards her credit cards that were at times substantially above the minimum requirement. Based on the information included in Miss C's bank statements I didn't find I had enough to say that further checks would have shown the limit increase to have been unaffordable.
- I also considered whether further checks would have shown signs that Miss C was struggling financially. On balance, I didn't think the bank statements showed Miss C was experiencing significant issues in managing her account.
- The bank statements showed that Miss C took out a £250 short term loan in March 2022. This could suggest she was struggling to manage her finances, however as there was only the one loan recorded and looking at the information NewDay provided about Miss C's credit commitments I didn't find that this was enough to say that further checks would have shown Miss C was in financial difficulty and that the further credit would be unaffordable.

Overall while I thought further checks should have taken place before the credit limit increases, especially noting the size of the increases, I didn't find these would have shown the increases to have been unaffordable.

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 C'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 C 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 C's income and expenditure.

As I set out in my provisional decision, I don't think that the information received before the initial lending decision took place suggested the credit limit of £250 was unaffordable. Miss C's credit limit was then increased to £750. I thought further checks should have taken place before this increase but based on the information I received I didn't find I could say these would have shown the increase to have been unaffordable.

Miss C's credit limit was then increased to £1,700. This was a significant increase and I think further checks were needed to ensure this additional credit was affordable. However, having considered the information provided I don't think I have enough to say that had further checks taken place these would have shown the lending to have been unaffordable.

I didn't receive any new information in response to my provisional decision that changed my conclusions. Therefore, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 15 November 2022.

Jane Archer
Ombudsman