

The complaint

Miss G says NewDay Ltd irresponsibly lent to her.

What happened

Miss G's complaint is about a credit card provided by NewDay. The account was opened in May 2020 with an initial credit limit of £1000. There were no further credit limit increases.

Miss G complained that NewDay lent irresponsibly.

I issued a provisional decision upholding the complaint. I explained that NewDay had to take reasonable steps to ensure that it didn't lend irresponsibly and that it needed to carry out reasonable and proportionate checks to make sure that Miss G could afford to repay what was being lent in a sustainable manner.

I said that when Miss G had applied for the credit card, she declared gross annual income of £18,000 and unsecured debt of £4100. I found that because Miss G's existing consumer credit commitments were high in proportion to Miss G's income, and because NewDay hadn't obtained any information about Miss G's monthly expenditure (including her consumer credit repayments), it hadn't carried out reasonable checks to ensure that the lending was affordable for Miss G.

I concluded that NewDay hadn't carried out reasonable and proportionate checks to make sure that Miss G could afford to repay what was being lent in a sustainable manner. I said NewDay should remove all interest and charges which had been applied to the account.

I invited both parties to let me have any further evidence or arguments they wished to raise.

Miss G responded and said she agreed with my provisional decision.

NewDay didn't respond to my provisional 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 remain of the view that NewDay lent irresponsibly to Miss G.

Putting things right

NewDay Ltd should settle as follows:

Rework the account removing all interest and charges that have been applied

If the rework results in a credit balance, this should be refunded to Miss G along with 8% simple interest per annum calculated from the date of each overpayment to the date of settlement.*

NewDay should also remove all adverse information relating to the account from Miss G's credit file

If the rework results in an outstanding balance, NewDay should agree an affordable payment plan with Miss G. Once Miss G has cleared the balance, any adverse information should be removed from her credit file.

*HMRC requires NewDay to deduct tax from any award of interest. It must give Miss G a certificate showing how much tax has been deducted if she asks for one.

My final decision

My final decision is that I uphold the complaint. NewDay Ltd must settle the complaint as I've set out above

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 2 December 2022.

Emma Davy
Ombudsman