

The complaint

Miss S complains that NewDay Ltd trading as Marbles ('NewDay') irresponsibly gave her a credit card account and a credit limit increase that she couldn't afford.

What happened

In February 2017, Miss S applied for a credit card account with NewDay. She was given an initial credit limit of £300. The credit limit was increased in July 2017 to £1,200.

In 2022, Miss S complained to NewDay to say that the account shouldn't have been opened for her because it wasn't affordable and that NewDay ought to have made a better effort to understand her financial circumstances before giving her credit.

Our adjudicator didn't recommend the complaint be upheld. Miss S didn't agree. So, the complaint has been passed to me to decide.

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've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Miss S's complaint is that NewDay made credit available that was unaffordable. NewDay has explained that it carried out a credit check using a credit reference agency to determine the amount of credit it was able to offer at each stage of its lending. And they had thought for how Miss S was managing her account in deciding the increase to the credit limit. It's possible that NewDay failed to make adequate checks before providing Miss S with credit. But even if that's true, I don't think better enquiries would have caused NewDay to think the initial credit limit was unaffordable.

I say this because Miss S told NewDay at the point of lending that she was employed and her income was regular and not modest. The initial credit limit was modest and the repayments on it would have been modest as well. The credit increase was not an excessive or unreasonable amount given the income and the maximum monthly payments for that credit were not immodest.

I've also noted that at the point of the initial lending Miss S's credit history appeared to be in good order; no defaults or CCJ's etc and I have seen no details of arrears or adverse notes. So, there was nothing in that credit picture that would, I think, have put NewDay off lending the reasonably modest amount it did, for a credit card, in 2017.

And by July 2017, NewDay had almost half a year's history to note Miss S's management of the credit card account. I note that all the payments up to the time of the credit limit increase in 2017 were made on time and in full. And some payments were in excess of the minimum payment required. There was one overlimit fee but that was resolved that following month. So, there was nothing in the credit picture in general, or in the management of the credit card itself, that would, I think, have put NewDay off providing the credit limit increase it provided in July 2017.

And reviewing Miss S's bank statements from the time, I have noted that the account remained largely balanced between credits and debits and was operated largely in credit. Again, I do not think these statements would have put NewDay off supplying the credit it did had they known about them at the time.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Miss S to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led NewDay to think that the credit it provided Miss S was unreasonable. Further, I'm not persuaded that the way Miss S was managing her account or what NewDay could see of her management of other credit ought to have prompted it to have acted differently than it did.

I know that Miss S will be disappointed with my decision, in itself, because she has put time and energy into her complaint. I want Miss S to know that we consider all cases on their own particular merits and I want Miss S to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 December 2022.

Douglas Sayers
Ombudsman