

The complaint

Mr J complains that NewDay Ltd (“NewDay”) irresponsibly granted him two credit card accounts he couldn’t afford to repay.

What happened

In March 2017 Mr J entered into an agreement with NewDay to have access to credit by way of a Marbles credit card account. He was given a credit limit of £250. In February 2020 he entered into a further agreement for credit by way of a Fluid credit card with an opening credit limit of £450. Each account was given two further credit limit increases.

Mr J says that NewDay didn’t complete adequate affordability checks when it opened each account and also failed to take into account his personal situation.

NewDay didn’t agree. It said it carried out a reasonable and proportionate assessment to check Mr J’s financial circumstances before granting him each account.

In my provisional decision dated 21 October 2022, I explained why I didn’t consider NewDay had acted unfairly in granting Mr J the credit on these two accounts. I set out an extract below:

“Marbles Account

Before opening this account, I think NewDay gathered a reasonable amount of evidence and information from Mr J about his ability to repay. This included carrying out credit and affordability checks which showed no adverse information. And given that NewDay was proposing to give Mr J a relatively modest opening limit of £250 which, if used, would require only small monthly repayments, I don’t think it was essential for it to verify his income or ask about his other committed expenditure, outside of the credit commitments the credit check would have shown. However, just because I think it carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I’ve reviewed the information and evidence NewDay gathered. Having done so I’m satisfied that the checks that were completed showed that at the time of the account opening the agreement was likely to be affordable to Mr J. I’ve seen that this included checking Mr J’s gross income, as well as looking into Mr J’s existing borrowing commitments. From this, NewDay could see that these appeared to have been adequately managed with no evidence of Mr J having got into recent financial difficulties. I say this taking into consideration that the one default it found had been registered 22 months previously.

All of this suggests Mr J was likely to have been in a financially stable position at the time. So I don’t think NewDay acted unfairly when approving the first account.

Turning to the two credit limit increases, I agree with our adjudicator that it would have been proportionate for NewDay to have taken steps to find out more about any changes to Mr J’s income, as well as the level of committed expenditure he had at that time. But based on the

bank statements I've seen prior to these increases, I think it's likely Mr J had enough disposable income available each month at this time to make regular, sustainable repayments towards the card. For the second increase, I've also seen that Mr J went overdrawn on his bank account once, but this was only for a brief time. I therefore don't consider that NewDay acted unfairly in granting Mr J each of these credit limit increases.

Fluid Account

Before opening this account, I think NewDay gathered a reasonable amount of evidence and information from Mr J about his ability to repay. I say this because it again completed credit and affordability checks which showed no adverse information. NewDay also once again also relied on Mr J's declared income and then verified this information using statistical data. This included carrying out credit and affordability checks which showed no adverse information. Again, given that NewDay was proposing to give Mr J a slightly higher but still relatively modest opening limit of £450, it wasn't essential for it to verify his income or ask about his other committed expenditure, outside of the credit commitments the credit check would have shown. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've also reviewed the information and evidence NewDay gathered. Having done so I'm satisfied that the checks that were completed showed that at the time of the account opening the agreement was likely to be affordable to Mr J. I've seen that NewDay also looked into Mr J's existing borrowing commitments and could see that these appeared to have been adequately managed with no evidence of having got into recent financial difficulties. The bank statements Mr J sent us for the three months before the account was opened shows Mr J's income as being consistent with the information NewDay relied upon.

Having looked at the first credit limit increase for this account, in August 2020, our adjudicator noted that Mr J was making frequent use of gambling sites. I've seen that Mr J had been making use of these sites from at least September 2019, some time before he was granted this credit. Whilst the amount he spent each month on gambling tended to fluctuate, Mr J kept his bank account in credit and appears to have been able to meet all his regular financial commitments. I consider that NewDay needed to carry out proportionate checks before increasing Mr J's credit limit – and frequent use of online gambling sites is certainly an indicator that he could be getting into financial difficulty. In the three months prior to being offered the credit limit increase, Mr J was spending an average of £400 a month on gambling sites. This is a significant sum, amounting to just under half of his monthly income. But from what I've seen, Mr J was still able to cover his other financial commitments – including a monthly repayment to a pay day lender.

Overall, I can't currently see that Mr J's use of these sites worsened to the point that there was a significant risk he'd be getting into financial difficulty. I therefore don't consider that, had NewDay carried out the necessary proportionate checks, it would have found that Mr J would be unable to meet the payments required if his credit limit was increased.

It follows that I currently don't consider that NewDay acted unfairly when approving either this or the later credit limit increase to this account.

Finally, Mr J has told us about his poor health and. I am very sorry to hear about that. But I haven't seen enough evidence to suggest that this is something that New Day was or ought to have been aware of. So it isn't something that currently affects my finding that NewDay hasn't acted unfairly."

Mr J's representative, his daughter, has responded to my provisional decision with some further information, which I have considered and will comment on below. New Day hasn't responded 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.

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.

Mr J's daughter has told us that, looking at the bank statements that were provided, it can be seen that she was transferring money to help pay Mr J's bills. So I have looked at the statements again, focusing specifically on those payments. I've noticed that Mr J often made payments back to his daughter – although sometimes the sums she made to him were greater than the repayments. But even so, I can't say that without these Mr J's financial situation would have worsened to the extent that the available credit on either account was unaffordable. I've also kept in mind that even if NewDay had carried out better checks that included Mr J's bank account, it would not have been apparent that he might be experiencing financial difficulty.

Given that I haven't seen any further evidence or information to consider that has caused me to change my provisional finding, I remain of the opinion that NewDay didn't act unfairly in granting Mr J this credit.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 20 December 2022.

Michael Goldberg

Ombudsman