

The complaint

Mrs R complains that NewDay Ltd ('NewDay') irresponsibly gave her a credit card account and credit limit increases that she couldn't afford.

What happened

In January 2020, Mrs R applied for a credit card account with NewDay. She was given an initial credit limit of £450. The credit limit was increased three times; in October 2020 it rose to £1,200, in February 2021 it rose to £2,200 and in May 2021 it rose to £3,450.

In 2022, Mrs R 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. Mrs R 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.

Mrs R'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 Mrs R was managing her account in deciding the increases to the credit limit. It's possible that NewDay failed to make adequate checks before providing Mrs R with credit. But even if that's true, I don't think better enquiries would have caused NewDay to think the credit limits were unaffordable.

I say this because Mrs R told NewDay at the initial 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.

I've also noted that at the point of the initial lending and for the subsequent credit limit increases Mrs R's credit history appeared to be in good order. I say that because Mrs R

has provided her credit report and it seems to confirm what NewDay saw at the times it made its lending decisions. There are no defaults or CCJ's on Mrs R's credit file from these times. There was a payday loan on the record but that was settled over a year before the original lending was provided. 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 amounts it did at the times it did on Mrs R's credit card.

And for the credit limit increases, NewDay had information it could consider about how Mrs R was managing her credit card account. I have noted that throughout Mrs R's account time until after the last credit limit increase, There were no late payments and no overlimit fees applied to her account. 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 increases it provided.

And reviewing Mrs R'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 Mrs R 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 Mrs R was unreasonable. Further, I'm not persuaded that the way Mrs R 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 Mrs R will be disappointed with my decision, in itself, because she has put time and energy into her complaint. I want Mrs R to know that we consider all cases on their own particular merits and I want Mrs R 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 Mrs R to accept or reject my decision before 27 December 2022.

Douglas Sayers
Ombudsman