

The complaint

Ms F has complained that NewDay Limited irresponsibly lent to her

What happened

Ms F opened a shopping account with NewDay in May 2007. At that point her credit limit was set at £200. It was increased once in August 2007 to £900.

Ms F says that she couldn't afford the credit and that NewDay shouldn't have allowed her to have the card. She says she couldn't pay it back in a sustainable way.

NewDay says it did all the necessary checks before it lent to Ms F and before it increased Ms F's credit limit and that it acted appropriately and fairly.

Our adjudicator thought that Ms F's complaint shouldn't be upheld. She thought that NewDay likely did reasonable checks to begin with but when Ms F's credit was increased NewDay ought to have asked Ms F for more information about her circumstances. Our adjudicator asked Ms F for copies of her bank statements and credit file from the time of the lending, but Ms F wasn't able to supply these. So, our adjudicator concluded that she could not safely say if NewDay had done more checks it would have seen information which would have indicated it shouldn't increase Ms F's credit limit

Ms F did not agree, so the complaint has been passed to me for a 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.

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 considered Ms F'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 Ms F could afford to repay what he was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Ms F's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

NewDay has not been able to provide copies of the checks it did when the account was opened and when the limit was increased. This isn't surprising given over 15 years have passed since then. But it says it would have completed credit checks. Understanding NewDay's processes, I consider this is likely to have happened. In the absence of any information about the outcome of these checks, or any evidence of Ms F's financial

circumstances at the time, I can't safely say that NewDay did anything wrong in providing the original lending.

Similarly, when NewDay increased Ms F's limit a few months later, NewDay says it would have done further credit checks. And it would have had information about how Ms F had managed the account up to that point. As the credit limit increase was significant (over four times the original limit), I think it would have been reasonable for NewDay to have found out more about Ms F's circumstances. For example, I think it should have asked about Ms F's income and living costs.

But this information is no longer available from either party – Ms F wasn't able to supply her bank statements from the time and the credit file she provided, while it showed that she had financial problems later on, didn't show information from 2007. So I don't know what NewDay might have seen if it had made these further checks.

For this reason, I don't have enough information to satisfy me that had NewDay did not complete proportionate checks before it lent to Ms F, or that NewDay didn't act appropriately on the outcome of those proportionate checks. This means I can't fairly say that Ms F lost out as a result of anything NewDay might have done wrong.

My final decision

I do not uphold Ms F's complaint, so it follows that NewDay Limited doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 17 February 2023.

Sally Allbeury
Ombudsman