

The complaint

Miss W 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 October 2020, Miss W applied for a credit card account with NewDay. She was given an initial credit limit of £600. The credit limit was increased in March 2021 to £1,600.

In 2022, Miss W 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 W 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 W'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 W 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 W 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 W 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 W's recent credit history appeared to be in good order; no recent defaults or CCJ's etc. The last default on Miss W's record was some 57 months prior to this credit application. The last public record was some 51 months prior to the borrowing. The credit check revealed no accounts in arrears and no evidence of payday loans. So, there was insufficient in that credit picture that would, I think, have put NewDay off lending the reasonably modest amount it did, for a credit card, in 2020.

And by March 2021, NewDay had nearly half a year's history to note Miss W's management of the credit card account. I note that all the payments up to the time of the credit limit increase in 2021 were made on time. There were no overlimit or late fees attached during this time. And Miss W's indebtedness elsewhere had stayed largely static during this time. 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 March 2021, or led Newday to think it ought to make more searching enquiries into Miss W's circumstances.

I've noted that Miss W's overall indebtedness did rise after the credit limit increase in 2021. But I have to look at the information that was available to NewDay at the time it made its lending decisions and not to use hindsight. And I have seen insufficient evidence that the other information that NewDay had acquired or had presented to it at the time of the lending decision, would have led them to think that the relatively modest credit they were offering needed more searching checks or that it was unreasonable at the time it was provided.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Miss W 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 W was unreasonable. Further, I'm not persuaded that the way Miss W 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 W will be disappointed with my decision, in itself, because she has put time and energy into her complaint. I want Miss W to know that we consider all cases on their own particular merits and I want Miss W 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 W to accept or reject my decision before 14 March 2023.

Douglas Sayers
Ombudsman