

## **The complaint**

Miss B complains that NewDay Ltd lent to her irresponsibly when it agreed three credit card accounts for her and subsequent credit limit increases which she says were unaffordable for her circumstances.

## **What happened**

Miss B applied for a credit card account (card A) with NewDay in January 2018. The credit card was approved with a credit limit of £500. In September 2018 the credit limit was increased to £1,400, to £2,150 in January 2019 and then again in February 2020 to £3,650.

Miss B applied for a second credit card account (card D) with NewDay also in January 2018. The credit card was approved with a credit limit of £450. In August 2019 the credit limit was increased to £1,450 and then again in February 2020 to £2,950.

Miss B applied for a third credit card (card O) with NewDay in July 2018. The credit card was approved with a credit limit of £450. In November 2018 the credit limit was increased to £1,350, to £2,100 in April 2019 and then again in September 2019 to £3,650.

NewDay reviewed Miss B's applications and credit limit increases on her three accounts. Having done so, NewDay didn't uphold her complaint and Miss B brought the complaint here.

NewDay looked again at Miss B's complaint before an Investigator was assigned to her case. It decided to make an offer to settle the complaint. NewDay offered to refund interest and charges on card O from the September 2019 credit limit increase on any balance which exceeded the previous (April 2019) credit limit increase (£2,100). It offered to refund interest and charges on card A from the February 2020 credit limit increase on any balance which exceeded the previous (January 2019) credit limit increase (£2,150). It also offered to refund interest and charges on card D from the February 2020 credit limit increase on any balance which exceeded the previous (August 2019) credit limit increase (£1,450).

Miss B, whilst finding NewDay's offer broadly acceptable, thought it needed to go further. Miss B explained that after falling behind with repayments to card D, NewDay marked the account in default. Miss B thinks NewDay should remove the details of the default from her credit file to settle her complaint.

NewDay considered Miss B's request to remove the details of the default from her credit file but it didn't agree to do so. It explained that the balance owed on the account at the time it was marked in default (£3,137) was more than the previous credit limit (£1,450) and as Miss B had missed six payments, it thinks the account still would have been marked in default if the limit hadn't increased. So it didn't revise its offer.

Our Investigator considered Miss B's complaint and he thought NewDay lent responsibly when it agreed the three credit card accounts and the credit limit increases up until August 2019, when it agreed to increase the credit limit on card D to £1,450. He thought NewDay shouldn't have increased Miss B's credit limits in September 2019 and February 2020. He also thought NewDay's decision not to remove the details of the default on her card D

account from Miss B's credit file was reasonable. As Miss B didn't agree with this, the complaint has come to me to decide.

Since referring her complaint to us, Miss B has told us about NewDay not making adjustments in its communication to allow for her disability when corresponding about the repayment of amounts still owing on her accounts. Whilst we have passed on her comments to NewDay, as this did not form part of the complaint Miss B made to it and then referred to us, it isn't a matter I can consider as part of this decision, which only looks into whether NewDay lent responsibly and whether it should remove the details of the default on Miss B's card D account from her credit file. Miss B remains free to bring a separate complaint about the way NewDay makes adjustments in its communications to her – as she has done previously.

### **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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint. Having thought about all of that, I have reached the same conclusions as those reached by our investigator for broadly the same reasons.

Before entering into a credit agreement, NewDay needed to check that Miss B could afford to repay the credit out of her usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Miss B's particular circumstances.

So, I've considered whether NewDay completed reasonable and proportionate checks when it first opened each account for Miss B and later when it increased her credit limits to satisfy itself that she would be able to repay the credit offered within a reasonable period of time. If it didn't do this, what would reasonable and proportionate checks have shown and, ultimately, did NewDay make fair lending decisions? As NewDay has offered to settle the complaint from the credit limit increase on card O in September 2019 onwards, I've only needed to consider the credit limit increases on her accounts up until that point.

Miss B told NewDay her income was £10,000 a year when she applied for card A and card D accounts (£814 a month after deductions), that she was not working because of her disability and that her living expenses were £200 a month. On her card O account application, she said she was single and living with family. NewDay recorded her existing debt as between £400 and £500 and the most recent default showing on her credit file in January was from nearly six years earlier, and this was no longer showing by the time she applied for her card O account in July.

I think Miss B was managing her existing accounts with no recent signs of difficulty and the amount of money she was borrowing was relatively low compared to what she'd said about her means. Altogether, considering what NewDay knew about Miss B's circumstances alongside the amounts of credit she'd applied for, I think NewDay's checks were reasonable and proportionate and it wasn't irresponsible to open the accounts for her with the credit limits given.

When NewDay started to increase Miss B's credit limits from September 2018 it said that it considered how she'd been managing her account and any other debts she had. It provided some of the information it relied on, and I've reviewed this. I can see that Miss B was managing her accounts well and within agreed limits – until July 2019 when she briefly went

above her limit by £68 on her card O account before substantially reducing the balance the following month. Miss B paid more than the minimum payment required on her accounts on significantly more occasions than on those when she only paid the minimum payment. Whilst I note that Miss B's overall indebtedness was steadily increasing, there were no obvious signs of repayment or financial difficulties – for example, late or missed payments. So I again think the decisions to increase the credit limits on Miss B's accounts between September 2018 and September 2019 were responsible ones.

I've not considered the credit limit increases beyond September 2019 because the offer to settle, which I've detailed in the above, is in line with the approach I would expect NewDay to take to putting things right if I found it increased Miss B's credit limits irresponsibly. I understand that NewDay has paid the refunds into Miss B's accounts. Miss B has asked NewDay to remove the default it registered on her card D account – this is not something it offered to do and it maintains that the default was applied correctly.

When I find that a business has done something wrong, I'd normally direct that business – as far as it's reasonably practicable – to put the complainant in the position they would be in now if the mistakes it made hadn't happened. In this case, I don't find that NewDay was wrong to open Miss B's accounts or increase the credit limits between September 2018 and September 2019. So even if I were to find the increases to the credit limits from September 2019 onwards were lent irresponsibly, it is more likely than not that Miss B would have still owed a balance on her NewDay account without the later credit limit increases.

NewDay registered the account in default because Miss B stopped making payment to the account altogether, had made only one payment over the previous seven months, and was over the credit limit for 13 consecutive months. I think Miss B would have still displayed the same repayment difficulties had NewDay not increased her credit limits as she had not been able to make any payments towards the outstanding balance. So, I think it was reasonable for NewDay to record the account in default when it did. And I also think it is reasonable for NewDay not to remove the default or the negative information reported on her credit file. I know this is not the outcome Miss B would've wanted but I hope my explanation helps her understand my reasons.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 22 June 2023.

Stefan Riedel  
**Ombudsman**