

The complaint

Mrs B complains that NewDay Ltd irresponsibly gave her two credit card accounts that she couldn't afford.

What happened

On 25 August 2019, Mrs B's Aqua credit card was opened by NewDay Ltd with an initial credit limit of £450. The credit limit was increased to £1,200 on 16 January 2020. The credit limit was decreased to £1,100 on 11 August 2020 at Mrs B's request. The credit limit was then increased to £2,600 on 17 June 2021 and to £4,100 on 26 May 2022.

On 23 March 2020, Mrs B's Amazon credit card was opened by NewDay Ltd with an initial credit limit of £500. The credit limit was increased to £1,500 on 2 September 2020, to £2,500 on 4 January 2021, to £3,750 on 23 April 2021 and to £4,000 on 12 August 2021.

In 2022, Mrs B complained to NewDay Ltd to say that the accounts shouldn't have been opened because they weren't affordable and that NewDay Ltd ought to have made a better effort to understand her financial circumstances before it provided her with credit. NewDay Ltd did not agree except that it thought it shouldn't have increased the credit limit on the Aqua card to £4,100 in May 2022. Because NewDay Ltd thought that lending was not responsibly given, they offered standard redress for that to Mrs B. That redress was the return of interest and fees on all lending on the Aqua account that was over the previous credit limit before it was raised to £4,100.

Mrs B did not accept that as she thought all the lending was irresponsible. Mrs B brought her complaint to this service.

Whilst we were investigating the complaint NewDay Ltd also offered to rectify an error they say occurred when they did not terminate the Aqua account to stop further spending following their final response letter. Therefore, in recognition of this, NewDay Ltd have refunded all transactions made after the final response letter was issued. That refund included proportionate interest and an overlimit fee.

NewDay Ltd told us that as there's a balance outstanding on the Aqua account, the refunds for both things have been credited to the account to reduce the outstanding balance.

Our adjudicator thought the lending on the Amazon account was reasonable and so no redress was due. But he did think the last credit increase was not reasonable on the Aqua card. So, he thought that the offer made by NewDay Ltd was fair and that no further redress was applicable. Mrs B didn't agree. So, the complaint has been passed to me to decide.

NewDay Ltd has made a partial offer of redress and Mrs B is unhappy with that offer as she thinks the accounts were not reasonable lending. So, it is my job to see if I think Mrs B is entitled to more redress than she has already been offered. Having considered all the

submissions made in this case, I don't think Mrs B is entitled to more than she has already been offered. I'll explain why I say that.

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 Ltd 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 B's complaint is that NewDay Ltd made credit available that was unaffordable. NewDay Ltd has explained that it relied in part on information that Mrs B provided at the time of applications to assess affordability. They said they carried out a credit search in Mrs B's name to assess Mrs B's level of debt at those times and to understand how she had been managing that debt. With that information and using their own scoring metric, NewDay Ltd decided to agree to the initial credit limits they provided on each card. So, the checks for affordability seemed proportionate for relatively modest credit levels compared to the income that Mrs B declared for each card account.

The NewDay Ltd checks showed that whilst Mrs B had other borrowings, her credit file was reasonably clean at the time of the application. When I say this, I mean that Mrs B's management of her existing credit showed no recent history of CCJ's, defaults or late payments. Having said that, I have noted that the searches showed a historic default but there had been none in over two years before any lending decisions were made by NewDay Ltd. And Mrs B has provided us with her full credit file which confirms the information that NewDay Ltd sourced.

So, it seemed from the credit file that at the point that the lending decisions were made, Mrs B was affording her existing credit. And so, NewDay Ltd were not put on notice of reasons sufficient not to agree the lending from that. And so, I don't think that the information that NewDay Ltd had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mrs B's financial situation.

And when deciding about the further credit limit increases, NewDay Ltd had their experience of how Mrs B had been managing her credit with them. There were only a small number of fees for being over her credit limit and no fees for having missed payments. So, in how Mrs B was managing her borrowing on the two accounts, there was insufficient evidence of financial difficulty that might have put NewDay Ltd off providing further credit. And so, I don't think that the information that NewDay Ltd had at the time of the lending decisions, would have led them to feel they ought to make more searching enquiries of Mrs B's financial situation.

Mrs B has explained that she felt she was in financial difficulty throughout this period. But Mrs B did not discuss this with NewDay Ltd until 2 January 2022. This is one of the reasons NewDay Ltd were, in my opinion, right to uphold the credit limit increase they

provided in May 2022 despite that information. As there is no argument about that lending decision not being reasonable, I need say nothing more about it.

I have to look at the information that was available to NewDay Ltd 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 Ltd acquired or had presented to it at the time of the lending decisions, would have led them to think that the credit they were offering was unreasonable.

So, having considered all the submissions made in this case, I have seen insufficient evidence to make an award in this case greater than the one that has already been made.

It follows that NewDay Ltd should put things right on Mrs B's Aqua account.

Putting things right

Rework Mrs B's Aqua account to ensure that from 26 May 2022 onwards interest is only charged on balances up to the total credit limit of £2,600, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and

If an outstanding balance remains on the account once these adjustments have been made NewDay Ltd should contact Mrs B to arrange an affordable repayment plan for these accounts. Once Mrs B has repaid the outstanding balance, it should remove any adverse information recorded on Mrs B's credit file from 26 May 2022 onwards for the Aqua account.

OR

If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs B, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. NewDay Ltd should also remove any adverse information from Mrs B's credit file from 26 May 2022 onwards.†

†HM Revenue & Customs requires NewDay Ltd to take off tax from this interest. NewDay Ltd must give Mrs B a certificate showing how much tax it's taken off if she asks for one.

As NewDay Ltd did not terminate the Aqua account to stop further spending following their final response letter, NewDay Ltd should refund all transactions made after the final response letter was issued. That refund should include proportionate interest and refund of any fees incurred.

If NewDay Ltd has already made this redress as detailed above, then it need do nothing else.

I know that Mrs B will be disappointed with my decision. But I want Mrs B to know that I listened to all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint in its entirety.

My final decision

For the reasons given above, I uphold this complaint in part. I award the same redress that NewDay Ltd has offered. If it has already applied that redress it has nothing further to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 18 April 2023.

Douglas Sayers
Ombudsman