

The complaint

Mr M is unhappy as he feels NewDay Ltd provided credit to him which he couldn't afford and that this should have been evident to NewDay, had they undertaken checks into his financial position before providing that credit.

What happened

In January 2020, Mr M applied to NewDay for a new credit account. His application was successful and NewDay issued Mr M with a credit card with an initial credit limit of £1,200. During the following twelve months, NewDay increased the credit limit on this account three times – to £1,700 in May 2020, to £2,450 in August 2020, and to £3,450 in December 2020.

In July 2020, Mr M applied to NewDay for a second new credit account. This application was also successful, and NewDay issued a second credit card to Mr M with an initial credit limit of £700. No subsequent credit limit increases were implemented on this second account.

In Many 2022, Mr M raised a complaint with NewDay because he felt that he hadn't been able to afford any of the new or further credit that NewDay had provided to him, and that this should have been evident to NewDay, had they undertaken checks into his financial position at those times.

NewDay responded to Mr M and confirmed that they had undertaken checks into his financial position on all occasions before providing credit to him. NewDay also explained that they didn't feel there had been anything resulting from those checks that should reasonably have given them any cause to suspect Mr M couldn't afford the credit he was then provided with, and that because of this they weren't upholding his complaint. Mr M wasn't satisfied with NewDay's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that NewDay had provided credit to Mr M irresponsibly, and so they didn't uphold the complaint. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

Having done so, I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. This means that it isn't within my remit here to declare that NewDay have acted in a non-regulatory or unlawful way. Such declarations would be for a regulatory body or a Court of Law to potentially make.

Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the circumstances and factors of a complaint into consideration.

I also note that Mr M has provided several detailed submissions to this service regarding his complaint. I'd like to thank Mr M for these submissions, and I hope he doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in-line with this service's role as an informal dispute resolution service.

This means that if Mr M notes that I haven't addressed a specific point that he's raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both Mr M and NewDay. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

NewDay believe that they did that here and note that when Mr M made new credit account applications, they took information from him about his employment status and annual income, as well as obtained information from a credit reference agency to get a better understanding of his wider financial position.

NewDay also confirm that before credit limit increases were applied to Mr M's accounts, they obtained new information from credit reference agencies to refresh their understand of Mr M's financial position. And NewDay contend that there was nothing resulting from that information that they feel should have given them any reasonable cause to believe that Mr M might not be able to afford the credit he was subsequently approved for.

In this instance, Mr M successfully applied for two new credit accounts and received three credit limit increases on the first of those accounts. I will consider each of these provisions of credit in turn.

January 2020 – First New Credit Account Application

When Mr M applied to NewDay for a new credit account in January 2020, he told NewDay that he was employed with gross annual income of £27,000. Before approving Mr M's application, NewDay reviewed his credit file, which indicated that Mr M had a low amount of existing unsecured credit – at around approximately £100 – and had no existing credit accounts that were in a position of arrears. And, while Mr M's credit file did show adverse reporting in the form of public records against him, these were from over three years prior to Mr M making his application to NewDay.

NewDay therefore made the decision to approve Mr M's application and issue him with a credit card with an initial limit of £1,200. And this doesn't seem unreasonable to me. The reasons I say this include that Mr M's declared annual income appears high enough to have left him with enough disposable income to have made any repayments that may have become due if Mr M used the full amount of new credit that NewDay provided to him. And this is also in consideration of the low amount of other existing credit – and therefore potential other existing credit repayments – that Mr M had at that time.

Additionally, while Mr M's credit file did show a history of adverse reporting, none of the adverse reporting was recent, with Mr M's more recent credit history being unproblematic.

And I don't feel that it was unreasonable for NewDay to have given more weight to Mr M's more recent credit history than to the struggles he'd had several years prior.

And so, given that Mr M appeared able to afford the credit he was applying for, and that his recent credit history didn't include any adverse reporting, I don't feel there was anything within the checks that NewDay undertook before approving Mr M's new application for credit that should have reasonably given them any cause to suspect that Mr M might not be able to afford the new line of credit he was applying for. And it follows from this that I'm satisfied that NewDay didn't provide this new line of credit to Mr M irresponsibly.

May 2020 – First Account Credit Limit Increase

Four months after Mr M opened his credit account, NewDay applied a credit limit increase to that account. This increased the credit limit available to Mr M from £1,200 to £1,700.

At this time, NewDay had the benefit of seeing how Mr M had managed his NewDay account up to that time. And it's evident from information NewDay have provided to this service that Mr M's account management didn't indicate that he may have been in any financial difficulty during that time.

I say this because Mr M had maintained the balance of his account well within the available credit limit and had made monthly payments towards the account that were significantly higher than the minimum monthly payments that were required. Additionally, Mr M hadn't incurred late payment or over-limit fees on his NewDay account.

Furthermore, the credit file information that NewDay reviewed before increasing the credit limit on Mr M's account continued to show that Mr M wasn't in arrears on any of his other existing credit accounts and only had a low amount of other existing credit. And so, I'm satisfied that by providing this further line of credit to Mr M – which Mr M was free to decline had he wanted to do so – that NewDay weren't acting irresponsibly or unfairly towards him.

July 2020 – Second New Credit Account Application

When Mr M applied to NewDay for a second new credit account in July 2020, he confirmed to NewDay that he was employed but stated that his gross annual income had now increased to £35,000.

Before approving Mr M's second application, NewDay reviewed his credit file, which again showed that Mr M had a low amount of non-NewDay existing unsecured credit and had no existing credit accounts that were in a position of arrears. And again, while Mr M's credit file did show adverse reporting in the form of public records against him, these were now even further in the past than at the time of the first credit account application.

Accordingly, while Mr M already held an existing line of credit with NewDay at this time, I'm satisfied that his increased annual income and relatively low amount of existing credit, as well as that his management of his first NewDay account, continued to not provide any possible causes for concern to NewDay and meant that it was reasonable for NewDay to approve Mr M's new credit account application and provide the second line of credit with an credit limit of £700 to him that they did.

August 2020 – First Account Credit Limit Increase

In August 2020, NewDay implemented a further credit limit increase on Mr M's first credit account. This increased the credit limit on the account from £1,700 to 2,450.

Before doing so, NewDay again reviewed how Mr M had managed his NewDay account up to that time, and this continued to show that Mr M wasn't incurring any fees on the account and was maintaining the balance of his account well within the available credit limit while making large monthly payments towards it. And, as explained previously, I don't feel that this type of account management did or should have reasonably suggested to NewDay that Mr M might have been struggling financially at that time.

Furthermore, the credit file information at that time didn't show any adverse changes in Mr M's financial position, such as Mr M's existing credit accounts falling into a position of arrears, which may have given NewDay cause to suspect that Mr M might not be able to afford the credit limit increase they subsequently provided.

Indeed, my only minor cause for concern here is that fact that by providing this credit limit increase, NewDay were increasing the total amount of potential credit that Mr M held with them to £3,150. However, given Mr M's declared annual income of £35,000 and his relatively low amount of other existing credit, as well as his unblemished recent credit record and seemingly unproblematic account management, I'm satisfied that it was reasonable for NewDay to conclude that Mr M would most likely be able to afford this increase to the account credit limit and that therefore NewDay didn't act unfairly by providing it to him.

December 2020 – First Account Credit Limit Increase

When NewDay increased the credit limit on Mr M's first account in December 2020, from £2,450 to £3,450, Mr M's account management remained much the same as previously described. This included that Mr M continued to maintain the balance of the credit account well below the credit limit, wasn't incurring any account fees of any kind, and continued to make large monthly payments towards the account. Additionally, Mr M's credit file continued to show that Mr M didn't have a large amount of other existing credit and wasn't in arrears on any of this other existing credit accounts.

Additionally, while this increase to Mr M's credit limit increased the total amount of potential credit Mr M held with NewDay to over £4,000, I don't feel that this was an unreasonably large credit amount. And this is both because of Mr M's declared annual income – and therefore his potential ability to make any monthly payments that may have become due had Mr M utilising the full amount of credit available to him – as well as that Mr M's NewDay account management and credit file didn't provide any indication that Mr M might have been struggling financially and so potentially unable to afford any further credit at that time.

And so, in consideration of the above, I don't feel that NewDay did provide this final credit limit increase – or any of the prior provisions of credit – to Mr M irresponsibly.

Other considerations

Mr M has explained that during 2020, he was only able to make the credit account payments that he did because of financial assistance provided to him by his family. But it doesn't appear that Mr M ever made NewDay aware that he was in financial difficulty and that his family were helping him to make the monthly payments that he did.

Given the impartial nature of this service, I wouldn't consider holding NewDay – or any provider of credit – accountable for not acting on information they were never provided. And I'm satisfied that from NewDay's perspective – given the management of Mr M's account as I've previously explained it – there wasn't anything that should have given them any cause to suspect that Mr M might have been in the financial difficulty that he's described.

Finally, in his correspondence with this service, Mr M has detailed the issues he's faced regarding his physical and mental health. I can appreciate the impact that these issues will

have had on Mr M, but again, from an impartial perspective, it doesn't appear that Mr M made NewDay aware of these issues before he applied for the credit accounts or received the provisions of further credit. And so, similar to how I've explained things above, I wouldn't expect NewDay to be able to take into account any issues that Mr M may have been facing at that time, but which NewDay weren't made aware of.

However, given the NewDay are now aware of the continuing issues that Mr M faces, it would be expected that they would provide reasonable assistance to Mr M to help him repay the outstanding credit account balances that he owes. I can only encourage Mr M to liaise with NewDay, or any appointed third-party agencies they may have engaged, in this regard.

Summary

In consideration of all the above, I'm satisfied that NewDay did undertake reasonable and proportionate checks into Mr M's financial position before providing him with any new or further lines of credit. And I'm also satisfied that there wasn't anything arising from any of those checks, or from any of the information that Mr M provided to NewDay himself, that should have reasonably given NewDay any cause to suspect that Mr M might not have been able to afford any of the credit they subsequently provided to him.

All of which means that I don't feel that NewDay have acted unfairly towards Mr M in the manner that he contends here, and it follows from this that I won't be upholding this complaint or instructing NewDay to take any further action.

I realise this won't be the outcome Mr M was wanting, but I hope he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 May 2023.

Paul Cooper
Ombudsman