

The complaint

Miss C complains that NewDay Ltd acted irresponsibly when it increased her credit card limit in 2021.

What happened

Miss C applied for a credit card with NewDay in 2020. The following year NewDay increased Miss C's credit limit and in 2021 the credit card limit was increased again. In 2022, Miss C complained to NewDay that it had acted irresponsibly when it increased her credit card limit in November 2021 and explained that her income had now reduced.

NewDay told Miss C it believed it had acted responsibly but decided to uphold the complaint because of Miss C's change in circumstances. NewDay refunded any late payment and over limit charges for period after the November limit applied, and refunded cash advance fees for the same period. NewDay also agreed to refund a proportionate amount of interest applied since the increase. Miss C felt that NewDay should also reduce her credit card balance to the level it was before the increase in November 2021, so she brought her complaint to the Financial Ombudsman Service. One of our Investigators looked into things and thought that the remedy offered by NewDay was a fair and reasonable one. Miss C asked that an Ombudsman decides the complaint.

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 understand Miss C will be disappointed, but I've decided that the remedy NewDay offered is a fair and reasonable one. I will now explain why.

There isn't a specific set of checks that lenders have to complete before approving an application for credit. In this case, I'm satisfied NewDay looked at Miss C's credit file and considered what Miss C said in her application before deciding to provide her with a credit card. NewDay took into account the income Miss C's said she earned at the time and recorded that Miss C had no adverse credit information.

The crux of Miss C's complaint relates to the November 2021 credit limit increase. I've seen that NewDay was also considering an application for another credit card within its group of companies. However, it's important for me to clarify that whilst the second credit card application was approved with a relatively small credit limit, the card was cancelled quickly and has never been used. So, my decision has focussed on the increase in the credit limit for Miss C's existing card.

Miss C believes the credit limit on her existing card shouldn't have been increased because she was only making minimum payments. NewDay investigated and decided that having reviewed the information available and the comments from Miss C, it would uphold her complaint about the credit limit increase in November 2021.

Because NewDay accepted it shouldn't have increased Miss C's credit limit in 2021, I only have to consider whether the remedy it provided was a fair and reasonable one in the circumstances of this complaint. Miss C strongly believes that NewDay should also reduce her credit card balance to what it was before the credit limit increased in November 2021. However, I think this would be unfair as Miss C will have used the funds in question. But I would expect NewDay to refund all the interest, fees and charges added as a result of the funds that were irresponsibly lent and ensure that the consumer paid no more than the amount lent. In this case, NewDay refunded the late payment and over limit charges since the November 2021 increase, and refunded cash advance fees as well as refunding a proportionate interest amount to the account. So, in the circumstances of this case I consider what NewDay has already done is fair and reasonable and I won't be asking it to do anything else in this regard.

NewDay has confirmed it has applied the refund of interest to Miss C's credit card account although it may help Miss C if NewDay confirms to her when this was paid

My final decision

I've decided that the offer made by NewDay Ltd to resolve Miss C's complaint was a fair and reasonable one and I won't be asking it to do anything else in this regard.

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

Paul Lawton
Ombudsman