

The complaint

Miss B complains that NewDay Ltd lent to her irresponsibly.

What happened

Miss B's complaint is about two credit cards with NewDay.

In July 2019 Miss B applied for a Fluid card. NewDay approved the application and gave Miss B a card with an initial credit limit of £600. The credit limit was increased to £1600 in March 2021 and to £2350 in May 2022.

In April 2021 Miss B applied for an Aqua card. NewDay approved the application and gave Miss B a card with an initial credit limit of £1200. The credit limit was increased to £2700 in May 2022.

Miss B complained that NewDay had lent to her irresponsibly. NewDay didn't uphold the complaint. It said it had carried out proper checks before lending to Miss B.

Miss B wasn't happy with the response and brought her complaint to this service.

Our investigator upheld the complaint. They said that NewDay had acted unfairly when it increased the credit limit on the Fluid account to £2350, and that NewDay had acted unfairly when it increased the credit limit on the Aqua card to £2700.

NewDay didn't reply to the investigators view so I've been asked to make 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.

Our approach to complaints about irresponsible and unaffordable lending is set out on our website. I've had this approach in mind when considering Miss B's complaint.

Before agreeing to lend, the rules say that NewDay had to complete reasonable and proportionate checks to ensure that Miss B could afford to repay the debt in a sustainable way. The nature of what's reasonable and proportionate will vary but could include things like the amount of credit, the total sum repayable, the amount of repayments, the cost of credit and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

Fluid Account

Miss B declared annual income of £17000 when she applied for the account. She declared unsecured debt of £1000, NewDay carried out a credit search and found that Miss B had a historic default, no county court judgments and no accounts in arrears. The application was

approved with an initial credit limit of £600.

Based on what I've seen, and taking into account the low credit limit, I think NewDay carried out reasonable and proportionate checks and made a fair lending decision when it approved the card.

I've gone on to consider the credit limit increases in March 2021 and May 2022. In March 2021 the credit limit was increased to £1600. A credit check carried out by NewDay showed that Miss B had unsecured debt of around £6500. NewDay has said that it looked at how Miss B had been handling the account. This shows that she had exceeded the credit limit and incurred a late payment fee in the last 6 months, but that this had been remedied the following month. Miss B had cleared the account one month before the credit limit increase. On balance, I'm satisfied that NewDay made a fair lending decision when it increased the credit limit to £1600.

In May 2022 the credit limit was increased to £2350. NewDay has said that it looked at how Miss B had been managing her account. I've reviewed this. This shows that Miss B had exceeded the credit limit and incurred a late payment fee in the last 6 months. The credit search showed that Miss B had exceeded her credit limits across all accounts in the months leading up to the increase. Looking at this information, I think there was a risk that Miss B was reliant on credit and wasn't likely to be able to repay the lending sustainably. In the circumstances, I don't think NewDay should've increased the credit limit to £2350.

Aqua account

Miss B declared annual income of £24000 when she applied for the account. She also declared unsecured debt of £5400. NewDay carried out a credit search and found that Miss B had one historic default, no county court judgments and no accounts in arrears. The application was approved with an initial credit limit of £1200.

Based on what I've seen, and taking into account the relatively low credit limit, I think the checks were reasonable and proportionate and I think the lending decision was fair.

I've gone on to consider the credit limit increase to £2700. This took place at around the same time as the credit limit increase on the Fluid account. The same observations I've made in relation to the Fluid account apply here. I don't think it was likely, based on the information available that Miss B was likely to be able to sustainably repay the credit. I don't think the credit limit increase to £2700 was a fair lending decision.

Putting things right

Fluid Account

NewDay should:

Rework the account removing all interest fees and charges applied to balances over £1600

If the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. *NewDay should remove all adverse information recorded after 12 May 2022 regarding the account from Miss B's credit file.

If, after the rework, the outstanding balance still exceeds £1600, NewDay should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the outstanding balance, any adverse information recorded after 12 May 2022 should be

removed from her credit file

Aqua account

NewDay should:

Rework the account removing all interest fees and charges applied to balances over £1200

If the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. * NewDay should also remove all adverse information recorded after 3 May 2022 regarding this account from Miss B's credit file.

If, after the rework, the outstanding balance still exceeds £1200, NewDay should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the outstanding balance any adverse information recorded after 3 May 2022 should be removed from her credit file.

*HMRC requires NewDay to deduct tax from any award of interest. NewDay must give Miss B a certificate showing how much tax has been deducted if she asks for one.

My final decision

My final decision is that I uphold the complaint. NewDay Ltd must take the steps I've set out above.

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.

Emma Davy
Ombudsman