

The complaint

Mr G complains that NewDay Ltd trading as Debenhams lent to him irresponsibly.

What happened

In September 2017 Mr G applied for a Debenhams card. NewDay approved the application and gave Mr G a card with an initial credit limit of £500. The credit limit was increased to £1500 in September 2019 and to £2750 in February 2020.

Mr G complained that NewDay had lent to him irresponsibly.

NewDay didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr G.

Mr G wasn't happy with the response and brought his complaint to this service.

Our investigator didn't uphold the complaint. They said there was no evidence to suggest that NewDay had treated Mr G unfairly.

Mr G didn't agree 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr G's complaint.

The rules says that before agreeing to lend, NewDay had to carry out reasonable and proportionate checks to ensure that Mr G was able to sustainably repay what was being lent to him. These affordability checks needed to be focussed on the borrowers' circumstances and could take into account things like the amount of credit, the total sum repayable, the amount of repayments and the consumers individual circumstances.

There's no set list of checks a lender has to carry out. But lenders must have regard to the factors I've mentioned above when deciding what's reasonable and proportionate.

Account opening

Mr G declared gross annual income of £42,500 when he applied for the card. He also declared unsecured debt of £100.

NewDay carried out a credit check and found no adverse information on Mr G's credit file. There were no defaulted accounts. No county court judgments and no accounts in arrears.

Based on what I've seen and considering the relatively low credit limit on the card and the low level of other unsecured debt, I think the checks carried out by NewDay were reasonable

and proportionate. There was nothing in the information gathered by NewDay which would've given cause for concern or necessitated further checks.

I've gone on to consider whether the lending decision was fair. Looking at the information gathered, there was nothing to suggest that Mr G was struggling to repay his debts, or that he was overly reliant on credit. The checks showed that the lending was likely to be affordable for Mr G. Because of this, I think the lending decision was fair.

I've also considered the credit limit increases in September 2019 and February 2020.

Before increasing the credit limit in 2019, NewDay says it looked at how Mr G had managed the account since it was opened, considering factors such as whether the credit limit had been exceeded, whether any payments had been missed and how much of the credit limit was being utilised. NewDay also carried out a credit search to see what other consumer credit commitments Mr G had, and whether any of these accounts were in default. NewDay says it found no evidence that Mr G had significantly increased his unsecured debt and no evidence that he had missed any payments or defaulted on any accounts.

Based on what I've seen, I'm satisfied that NewDay carried out reasonable and proportionate checks before increasing the credit limit in September 2019. I'm also satisfied that the information gathered from these checks showed that the credit limit increase was affordable for Mr G. This is because the credit checks showed that Mr G had managed his account without any issues.

NewDay says it carried out the same checks before increasing the credit limit in February 2020. The credit limit was increased from £1500 to £2750.

Because this was a significant increase in the amount of credit being made available to Mr G, I think it would've been proportionate for NewDay to carry out further checks to verify Mr G's income and expenditure to make sure the increased lending was affordable.

I've looked at Mr G's bank statements for the three months leading up to the credit limit increase to see what reasonable and proportionate checks would've shown.

The bank statements show that Mr G had monthly income of around £2650 with essential monthly expenditure of around £1618, Mr G's credit repayments were around £340 per month. Based on what I've seen, I'm satisfied that Mr G had enough monthly disposable income to afford the increased credit, even if the full credit facility of £2750 was utilised. Had NewDay carried out reasonable and proportionate checks I think they would've reached the conclusion that the lending was affordable.

I appreciate that Mr G had made two late payments on the account prior to the second credit limit increase. However, these late payments were remedied the following month. I don't think this alone would've been a good reason for NewDay not to increase the credit limit.

Mr G has said that his unsecured debt had increased to £6000 and that he was experiencing difficulties repaying what he owed to other lenders. He's also said that his loans with other lenders have been found to be unaffordable by this service.

Every complaint brought to this service is investigated on its own facts and merits. So, even if Mr G has had other complaints upheld, that doesn't mean the outcome will be the same here. This is because Mr G's other complaints involve different products, different amounts and different time frames.

Based on the information I've seen, there's nothing to suggest that Mr G was struggling to

make repayments at the time of the second credit limit increase. I've reviewed Mr G's bank statements but there's nothing to indicate that the credit limit increase wasn't affordable for him. For these reasons, I'm unable to say that NewDay has treated Mr G unfairly or lent to him irresponsibly.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 July 2023.

Emma Davy
Ombudsman