

The complaint

Ms B complains that NewDay Ltd lent to her irresponsibly.

What happened

In January 2018 Ms B applied for a Marbles Credit card. Marbles approved the application and gave Ms B a card with an initial credit limit of £900. The credit limit was increased to £2400 in July 2018, to £3800 in November 2018, to £4550 in March 2019 and to £6050.

In January 2021 Ms B applied for an Aqua credit card. Aqua approved the application and gave Ms B a card with an initial credit limit of £1200. The credit limit was increased to £2200 in November 2021.

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

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

After the complaint had been referred to this service, NewDay reviewed the complaint and said that the last credit limit in each card wasn't suitable for Ms B. It said that Ms B hadn't utilised the increased credit limit on either card.

Our investigator upheld the complaint. He said that the credit limit increase to £6050 on the Marbles account was irresponsible and that the credit limit increase to £2200 on the Aqua account was irresponsible. The investigator explained that whilst this service would usually require the lender to refund interest and charges applied to the account on balances over the credit limit, in this case there was nothing to refund because Ms B's balance had never exceeded £4550 on the Marbles account or £1200 on the Aqua account.

Ms B didn't agree with the outcome. She said she'd been caused financial hardship because of the amount of credit she'd been given.

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 B's complaint.

Before agreeing to lend, NewDay needed to complete reasonable and proportionate checks to ensure that Ms B could afford to repay what was being lent. These checks needed to be borrower focussed and could take into account things such as the amount of credit, the total sum repayable and the consumers financial circumstances.

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

Marbles

Ms B declared an annual income of £36,000 when she applied for the account. She also declared unsecured debt of £4600.

Marbles carried out a credit check. This showed no adverse information.

Given that the credit limit was low, I think the checks were reasonable and proportionate. There was nothing to suggest that the credit was likely to be unaffordable for Ms B. I think the lending decision was fair.

I've reviewed the information that Marbles gathered before each credit increase. The account had been generally well managed. Ms B had a couple of late payments but had otherwise made payments on time and in excess of the minimum contractual payment.

The credit checks showed that Ms B's level of unsecured debt remained at a similar level throughout the first, second and third credit limit increases. Up to this point I think the checks were reasonable and proportionate and the lending decisions were fair.

However, when the credit search was carried out prior to the last credit limit increase, this showed that Ms B's unsecured debt had increased significantly and that she had entered into a payment arrangement with another of her creditors.

NewDay has subsequently said that it shouldn't have increased the credit limit to £6050. I agree. The information obtained from the credit checks showed that Ms B was unlikely to be able to sustainably repay further credit. I think the final credit limit increase was irresponsible.

Aqua

Ms B declared an annual income of £30,000 when she applied for the account. She also declared unsecured debt of £9200.

Aqua carried out a credit check. This showed no adverse information.

Aqua also looked at how Ms B was managing her Marbles account. This was being well managed. There was nothing in the information gathered to suggest that Ms B was struggling to repay her debts.

Based on what I've seen, I think the checks were reasonable and proportionate and the lending decision was fair.

The credit limit was increased to £2200 in November 2021. The credit search carried out prior to the last credit limit increase showed that Ms B's unsecured debt had increased significantly and that she had entered into a payment arrangement with another of her creditors.

NewDay has subsequently said that it shouldn't have increased the credit limit to £2200. I agree. The information obtained from the credit checks showed that Ms B was unlikely to be able to sustainably repay further credit. I think the final credit limit increase was irresponsible.

Putting things right

In circumstances where an irresponsible lending complaint has been upheld, we would

usually ask the business to refund interest and charges applied to the account.

However, in this case, although I've found the last credit limit increases on each account to be unfair, I can see that Ms B never exceeded a balance of £4550 on the Marbles card or £1200 on the Aqua card. So no charges and interest have been incurred as a result of the unfair credit limit increase.

Therefore, although I've upheld the complaint, I won't be asking NewDay to refund any interest or charges.

My final decision

My final decision is that I uphold the complaint but for the reasons I've explained, NewDay Ltd doesn't need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 6 July 2023.

Emma Davy
Ombudsman