

The complaint

Mr M complains that NewDay Ltd trading as Marbles was irresponsible in its lending to him. He wants the default removed from his credit file and a refund of the interest charged on his account.

What happened

Mr M was provided with a credit card account by NewDay in March 2017. The initial credit limit was £100 and wasn't increased.

Mr M says that the credit card shouldn't have been provided. He said he had a gambling problem at the time, and this resulted in issues which led to his account being defaulted..

NewDay issued its final response letter in February 2023. It said that before the credit card account was provided it gathered information from credit reference agencies as well as asking Mr M about his income and employment through its application process. It said that Mr M's credit check didn't show any adverse information and it noted that Mr M had £300 of unsecured debt. Mr M's annual income was recorded as £18,000. NewDay said that Mr M met its lending criteria and so was provided with the credit card account with a £100 credit limit.

Our adjudicator didn't uphold this complaint. She thought the checks that took place before the account was opened were proportionate and she didn't think the information gathered suggested the lending was irresponsible. She noted that NewDay had stopped applying interest and charges after Mr M informed it of his financial difficulties.

Mr M didn't agree with our adjudicator's view and his complaint has been passed to me, an ombudsman, to issue a 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 considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

As our adjudicator explained, before providing credit, lenders need to assess the ability of the consumer to make the repayments in an affordable way. There aren't specific checks that need to be carried out, but the regulations say these need to be reasonable and proportionate to the type and amount of credit being provided, the length of the credit being provided, the frequency of its use, the repayments and the total cost of the credit.

Before Mr M was provided with the credit card account, NewDay carried out a credit check. I have looked at the results it received, and these didn't show any concerns that would suggest the account shouldn't be provided. Mr M had no defaults, public records or accounts

in arrears and his total unsecured debt was £300.

Although I do not find that the credit check raised any issues, NewDay was still required to undertake reasonable checks to ensure any lending would be affordable. As part of the application process Mr M declared his annual income as £18,000. NewDay has explained that it assesses affordability through a credit reference agency model and uses third party data sources to assess expenditure. It said Mr M met its lending criteria. While in certain circumstances we would expect further verification of income and expenses to take place, given the low credit limit provided, £100, and noting Mr M's declared income I find the checks undertaken in this case were proportionate. As these didn't raise concerns about the affordability of the lending, I do not find I can say NewDay was wrong to provide the credit card account with a £100 credit limit.

I am sorry to hear of the difficult financial circumstances Mr M has experienced but I can see that following him informing NewDay of his difficulties a repayment plan was set up. I can also see that Mr M hasn't been charged interest or charges from March 2018 onwards. Therefore, in this case, as I do not find that Mr M was provided the credit irresponsibly I do not find I can uphold this complaint.

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 7 July 2023.

Jane Archer
Ombudsman