

The complaint

Mr D complains that NewDay Ltd ('NewDay') irresponsibly gave him two credit card account facilities that he couldn't afford.

What happened

In March 2020, Mr D applied for and was given a credit card account with NewDay with an initial credit limit of £300, under the Aqua trading name. This was followed by two credit limit increases.

In June 2021, Mr D applied for and was given a second credit card account with NewDay with an opening credit limit of £450, under the trading name of Marbles. There were no further credit limit increases for this card.

NewDay gave Mr D two payment holidays to his Aqua account in 2022 and one for his Marbles account, after he contacted them about the financial difficulties he was experiencing.

Mr D complained to NewDay to say that the two accounts shouldn't have been opened for him because they weren't affordable and so NewDay ought to have made a better effort to understand his financial circumstances before increasing his credit. He also says NewDay ought not to have granted him the second card given that he'd used up his credit limit on the first one.

Our adjudicator didn't recommend the complaint be upheld.

As Mr D didn't agree, his complaint has been passed to me to decide.

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.

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I'll look at each of the two cards in turn:

Aqua Card

Before opening the Aqua account, I think NewDay gathered a reasonable amount of evidence and information from Mr D about his ability to repay. I say this because it relied on information set out in Mr D's application about his earnings, existing credit and residential status – which was stated to be living with parents. But NewDay also completed its own credit checks that showed he had a minimal level of unsecured debt at that point, had taken

out one pay day loan and had no arrears. NewDay also saw that that he'd previously had seven defaults, with the most recent being 19 months earlier. He'd also had two county court judgments against him, again the most recent having been entered 19 months previously. To summarise, Mr D had no current arrears or adverse markings on his credit record and had confirmed he was receiving regular earnings at a reasonable level. However, just because I think NewDay carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence NewDay gathered. Having done so I'm satisfied that the checks that were completed showed that the Aqua agreement was likely to be affordable to him. I say this especially given that he was earning a reasonable salary in relation to the relatively modest credit limit he'd been granted and his low level of existing unsecured and short term borrowing. I therefore haven't seen enough to make me think that Mr D might have been in getting into financial difficulty at that point. So I don't think NewDay acted unfairly when approving the finance application.

Mr D was granted his first credit limit increase in August 2020. By that time I can see Mr D had been managing his account reasonably well and been making payments each month that were generally above the minimal level required. Our adjudicator noted that Mr D had taken on a mortgage in June 2020, so it's likely his level of committed expenditure had increased. But given his account management so far and his previous credit history, I can't say that this first credit limit increase was unaffordable.

By the time of the second credit limit increase, in early June 2021, I've seen that Mr D had incurred three overlimit fees and taken cash advances on three occasions. So I don't consider that this further credit limit increase, being a moderate increase of £200, was necessarily unfairly granted if Mr D was continuing to meet his monthly repayments.

Marbles Card

I don't think there was anything new or significant in Mr D's credit history that might have discouraged New Day from providing the opening credit limit for the Marbles card, which was opened at the end of June 2021. Mr D now had a combined credit limit with NewDay of £1,950. Mr D told NewDay in his application that his salary had gone up, whilst his level of unsecured debt had also increased, to £4,400. He'd also taken on a mortgage.

I think it would have been proportionate for NewDay to have taken steps to have verified Mr D's financial circumstances in some way. In the absence of anything else, I've reviewed three months of bank statements leading up to the lending decision. I think this gives a good indication of what NewDay would likely have discovered if it had taken steps to verify Mr D's expenditure.

The statements show – and Mr D has confirmed – that aside from his existing credit commitments, his other monthly committed expenditure averaged out at around £1,700 per month – although he has pointed out this didn't include some items, such as food. It included his rent, priority bills and expenses. I've also seen that Mr D was paying on average around £300 in credit card payments per month. Given that Mr D's average income was around £2,500, it's likely that he'd still have enough disposable income to cover other regular expenditure such as food and to make regular, sustainable repayments towards his new card. I say this making the assumption that Mr D would eventually be using the full credit limit and would wish to make sustainable monthly payments. So I also think it's likely that had NewDay completed proportionate checks, it would have discovered this too. It therefore didn't act unfairly by granting Mr D the new card with an available credit of £450. Mr D says NewDay ought not to have granted him the new credit given that he'd exceeded his credit limit on his Aqua card. I don't think that alone is enough to show that he ought not

to have been granted further credit. And based on what I've seen about Mr D's financial circumstances at the time, it doesn't seem that the relatively low opening credit limit was unreasonable.

I know that Mr D will be disappointed by my decision. But I have noted all the submissions he has made in his complaint and looked at all the evidence he's sent us. Having done so, I have not found sufficient evidence to uphold his complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 June 2023.

Michael Goldberg

Ombudsman