

## **The complaint**

Mr P complains that NewDay Ltd trading as NewDay Cards lent to him irresponsibly.

## **What happened**

In February 2019 Mr P applied for a Debenhams card. NewDay approved the application and gave Mr P a card with an initial credit limit of £500. The credit limit was increased to £1500 in September 2019, to £3000 in February 2020, to £4250 in December 2022 and to £5000 in June 2022.

In September 2020 Mr P applied for a Fluid card. NewDay approved the application and gave Mr P a card with an initial credit limit of £1200. The credit limit was increased to £2450 in January 2021 and to £3700 in May 2021.

Mr P complained that NewDay lent to him irresponsibly.

Our investigator upheld the complaint. They said NewDay shouldn't have increased the credit limit on the Debenhams account to £1500 in September 2019 because the information showed that there was a risk that Mr P wouldn't be able to sustainably repay what was being lent. The investigator also said that NewDay shouldn't have increased the credit limit on the Fluid card to £3700 in May 2021 for the same reasons.

NewDay didn't respond 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.

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 P's complaint.

Before agreeing to lend, NewDay needed to complete reasonable and proportionate checks to ensure that Mr P could sustainably repay what was being lent to him. There's no set list of checks a lender has to complete but lenders should have regard to factors such as the amount borrowed, the repayment amount and the consumer individual circumstances when deciding what's reasonable and proportionate.

### **Debenhams account**

Mr P provided details of his income when he applied for the card. NewDay carried out a credit check and took into account Mr P's expenditure and other credit commitments.

Based on what I've seen I think the checks were reasonable and proportionate. I've gone on to consider whether the lending decision was fair.

I've reviewed the information that NewDay gathered at the time the account was opened. Mr P declared annual income of around £20,150. Credit checks showed that Mr P had existing unsecured debt of around £12,300. There was no adverse information on the credit file.

I've taken into account the relatively low credit limit which was applied to the account when it was opened. Although Mr P had significant unsecured debt at the time, I'm satisfied that the repayments on the account were affordable and that the lending decision was fair.

The credit limit was increased to £1500 in September 2019. The credit check carried out at the time shows that Mr P had one account in arrears in the last 6 months. His unsecured debt was around £12,259. The data shows that Mr P had been making minimum payments on the account and had made three cash withdrawals. In the circumstances, I don't think NewDay should've increased the credit limit because there was a risk that Mr P wouldn't be able to sustainably repay the borrowing.

#### Fluid Account

Mr P declared an income of £24,400 when he applied for the card. The credit checks showed that Mr P had around £9100 of unsecured debt. There was no adverse information on Mr P's credit file.

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 £2450 in January 2021. The credit checks showed that Mr P's unsecured debt had increased to £11,900. He was making minimum repayments on the account but there were no missed payments or arrears. Based on what I've seen I think the lending decision was fair.

The credit limit was increased to £3,700 in May 2021. The credit checks showed that Mr P's unsecured debt had increased to £12,400. Mr P was fully utilising the existing credit limit on the account and was making minimum payments. He'd also made a cash withdrawal. In the circumstances, I don't think NewDay should've increased the credit limit because there was a risk that Mr P wouldn't be able to sustainably repay the borrowing.

#### **Putting things right**

##### Debenhams account

NewDay Ltd should:

Rework the account removing all interest and charges applied to balances over £500

If the rework results in a credit balance, this should be refunded to Mr P together with 8% simple interest per year from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information recorded after 27 September 2019 in relation to the account from Mr P's credit file.

If, after the rework, the balance exceeds £500, NewDay should arrange an affordable payment plan with Mr P. Once Mr P has cleared the balance, NewDay should remove all adverse information recorded after 27 September 2019 in relation to the account from Mr P's credit file.

##### Fluid account

NewDay Ltd should:

Rework the account removing all interest and charges applied to balances over £2450

If the rework results in a credit balance, this should be refunded to Mr P together with 8% simple interest per year from the date of each overpayment to the date of settlement.

NewDay should also remove all adverse information recorded after 26 May 2021 in relation to the account from Mr P's credit file.

If, after the rework, the balance exceeds £2450, NewDay should arrange an affordable payment plan with Mr P. Once Mr P has cleared the balance, NewDay should remove all adverse information recorded after 26 May 2021 in relation to the account from Mr P's credit file.

HMRC require NewDay to deduct tax from this interest. It must give Mr P a certificate showing how much tax has been deducted if he 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 Mr P to accept or reject my decision before 24 July 2023.

Emma Davy  
**Ombudsman**