

## **The complaint**

Mr K complains that NewDay Ltd lent to him irresponsibly.

## **What happened**

Mr K applied for a credit card with NewDay in November 2018. He opened the account with a £450 credit limit. Over the course of the agreement the credit limit was increased four times until the limit was £3,900.

Mr K says that he wasn't financially stable enough to have the credit and that if NewDay had completed thorough checks on his circumstances it would have seen that he was 'knee-deep in payday loans.'

Mr K complained to NewDay. It upheld part of his complaint. It agreed that it shouldn't have provided him with additional credit from 28 December 2021 when it increased his limit from £2,550 to £3,300. NewDay refunded interest and charges that Mr K incurred as a result of the additional credit from that point.

Mr K didn't agree that this was a fair settlement, so he brought his complaint to this service. Our adjudicator didn't uphold Mr K's complaint. They couldn't identify anything NewDay had done anything wrong in its lending decisions up to 27 December 2021.

Mr K disagreed. As Mr K did not agree the complaint has been passed to me to make 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Mr K's complaint.

Having done so, I've come to the same conclusion as our adjudicator. I haven't seen evidence that NewDay acted unfairly and lent to Mr K irresponsibly in relation to any of the lending decisions up to the point at which NewDay upheld his complaint. I'll explain why I've reached this conclusion.

NewDay needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr K could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount, Mr K's borrowing history and her income and expenditure.

NewDay says Mr K declared an income of £22,000 at the time of account opening. It says that Mr K's credit file showed he had no defaults or CCJs and had around £5,400 in unsecured debt. It says this showed that it was reasonable to lend to Mr K in the way that it did.

On this basis, and given the relatively low level of lending compared to Mr K's income and existing borrowing, I think NewDay completed proportionate checks and made a fair decision to lend to Mr K.

Mr K's credit limit was reduced to £300 in November 2020. This happened because Mr K made a late payment the month before. However, Mr K got his account in order quickly and made more than minimum payments in the following three months.

In April 2021 Mr K's credit limit was increased by £750 to £1,050. NewDay has provided evidence of the results of the checks it did at the time and I can see that Mr K's external credit was unexceptional and there was no evidence of recent difficulties. However, given that it was a large increase relative to his existing borrowing, and he had recently missed a payment, I think NewDay ought to have got a better understanding of Mr K's financial circumstances before it increased his limit.

There is no prescriptive list of checks a business should do, so I don't know exactly how NewDay might have chosen to obtain that better understanding of Mr K's circumstances. In the absence of anything else, I think it's reasonable to rely on Mr K's bank statements from the time to understand what NewDay might have found out.

Having reviewed these statements, which Mr K kindly provided, I can see that Mr K's income was around £1,550 a month and his committed expenditure was around £575. So if NewDay had seen this I think it would still have made the same decision to increase Mr K's credit limit because it would have seen evidence to show that Mr K could afford the additional credit. I can see that Mr K was paying back some short term lending, but this didn't seem to be problematic, and Mr K was generally in credit.

The same applies to the decision to increase Mr K's credit limit to £2,550 in August 2021. Taking the same approach, Mr K's bank statements show that Mr K's income was around £1,600 and his committed expenditure was about £360 each month. While he was gambling quite heavily, spending on average £570 a month, this still left Mr K with ample disposable income to meet his increased repayments.

So, on this basis, I don't think NewDay acted unfairly when it decided to lend to Mr K or when it increased his credit limit up to £2,550.

NewDay has already paid Mr K compensation in relation to the later credit limit increases, so I have not reviewed Mr K's circumstances at that time. NewDay paid compensation in line with that which this service would have directed had Mr K's complaint been upheld by this service.

I also note that Mr K opened two other accounts with NewDay while he still had the first credit card. But Mr K didn't use either of these, so even if they were provided to him unfairly, he has suffered no loss as a result.

This means that, on balance, I can't be satisfied that Mr K lost out as a result of anything NewDay did wrong.

**My final decision**

For the reasons I have set out above I do not uphold Mr K's complaint. It follows that NewDay Ltd does not have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 October 2023.

Sally Allbeury  
**Ombudsman**