

The complaint

Mr W complains that NewDay Ltd trading as John Lewis Partnership Card (JLPC) declined two applications for a new credit card due to an error on their systems and they did not handle his complaint effectively.

What happened

Mr W says he received an email invitation to apply for a new NewDay credit card as all existing cards would cease working in the following month, and he used the link provided to apply for a new card. His application was declined despite Mr W saying he clearly met all of the requirements. Mr W contacted the helpline and a call handler reset the link. The call handler confirmed to Mr W that the information he had provided should've met the requirements for the replacement card. Mr W applied again, but the application was declined again. Mr W made a complaint to NewDay.

NewDay initially said they were not able to verify sufficient information about Mr W to accept his application. They said they may be able to change their decision and provide him with a new card if he could provide them with some further details to allow them to confirm his income and accommodation costs. They gave Mr W instructions as to how they could re-assess his application. Mr W says he provided them the information which he had previously input into the system, and sent them his bank statements, but this time his application was manually accepted, therefore he said their system was at fault for not originally accepting his application and causing him inconvenience and aggravation. Mr W wrote to NewDay asking them to reconsider that their systems were not at fault.

NewDay upheld Mr W's complaint and gave him £25 compensation for delays in processing his manual application, and they closed his complaint. Mr W wrote back to NewDay as they did not address the points he raised. While the complaint handler did not write back to Mr W in the timeframe he asked them to, he received an email from a colleague informing Mr W that they had made changes to their processes and it was now likely his application would be accepted, and she invited him to reapply and she sent him the link to facilitate this, which only confirmed his view that NewDay's systems needed addressing. Mr W wrote back to NewDay, but he received no response. Mr W brought his complaint to our service.

Our investigator did not uphold Mr W's complaint. He said while the additional information provided may have been minimal, any additional information is important to NewDay as it allowed them to approve the application. He said it is common for businesses to be able to accept an application upon further information and evidence being provided.

Mr W asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he had a lack of response from NewDay and there was no indication that they had given their final response and he questioned if NewDay could close his complaint without his agreement. He said NewDay's automated system made incorrect judgements compared to a manual review. And in support of this NewDay confirmed they had made changes to their systems since his application was rejected, which, if made earlier, would have likely produced an automated acceptance.

Mr W asked why his online application failed and what was unacceptable with the information submitted. Mr W said NewDay have mentioned there was a widening of criteria parameters, but he didn't require this as when his application was handled manually it was successful, so if changes were needed to bring their system into line with their manual process, this would suggest at the time of his declined applications that there was an issue with their online system.

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.

Firstly, I'm aware that I've only summarised Mr W's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Mr W that it is not within this service's remit to tell a business how to run their application process including telling them when they should decline an application or when they should process a manual application. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct NewDay to make changes to their policies and procedures (including the systems they use), if necessary.

I must explain to Mr W that complaint handling by a business isn't a regulated activity and as such, the issues he's raised that relate directly to how NewDay have investigated his complaint, such as the contents of the response and when they decide to close a complaint down does not come under my powers to consider. I can confirm to him though that they don't need his agreement to close a complaint. Mr W was given instructions on the final response letter if he was unhappy with their decision he could refer it to our service, and this told him he needed to do this within six months of the date of their first response to him. As NewDay had already given Mr W referral rights to our service they would have no obligation to keep responding to complaints they considered closed.

Although this will disappoint Mr W, NewDay are not obliged to tell a customer, our service, or even all of their staff the reason(s) why his original applications declined. This is because their decision process is commercially sensitive, and people could try and circumvent their systems to increase their chances of an application being successful if they made their criteria public knowledge.

I agree with Mr W that the widening of NewDay's criteria parameters would not be the reason why his manual application was accepted and the original applications were declined. It's likely this was offered as a potential reason for his manual application being successful on the basis the staff couldn't answer the question, but they were aware that NewDay had widened their criteria parameters, which would not be necessarily commercially sensitive (as some of the criteria was contained in emails Mr W received prior to his successful application from NewDay).

As a responsible lender, NewDay are required to perform checks to ensure that they are responsibly lending. These checks need to be proportionate and show that the credit would be affordable and sustainable for Mr W. I've noted the strength of feeling that he has about the system being at fault. But I'm not persuaded that because the system originally declined his application and it was manually accepted with the same information, that an error has been made here. And I'll explain why.

The information that Mr W provided as part of his original application which declined, may have meant that NewDay's systems could not complete proportionate checks on the information that he gave them, so the application declined. But the manual process is different. I say this because the manual process can verify documents Mr W sent them, which a system would not be able to see information from Mr W's bank statements. In the response NewDay sent Mr W dated 13 October 2022 NewDay allude to this, as they confirmed *"on this occasion we were not able to verify sufficient information about you to accept your application"*. So I'm satisfied that the key word here is *"verify"*.

I'm not persuaded that because the system couldn't verify Mr W's information at the point of his declined applications that this meant their system was faulty. And there are occasions where we would expect a lender to verify information. While I can't confirm the exact reasons what NewDay wanted to verify (as this is commercially sensitive), the information they requested would indicate they wanted to verify he was earning what he said he was earning, his residential type, accommodation costs, and outgoings to ensure any credit they approved was affordable and sustainable for him.

I'm persuaded that this is why they accepted Mr W's application manually even though he says he told them the same information as part of his application. Although the information was the same, the difference was the proof, and verification of the proof.

I've considered what Mr W has said about the email he received which told him *"since you applied we have made changes to our application process which means it is likely that now we would be able to accept your application."* The wording used is *"likely"* and not guaranteed (or a similar word). So it could be that if Mr W had applied after this email (although I appreciate there was no need as he had already been accepted by this point) that NewDay may have had to still verify some of the information provided.

Alternatively, due to the changes on the system, he may have had his application approved without having to have this manually processed. But again, I'm not persuaded those changes mean the system was faulty prior to the changes. I know Mr W will strongly disagree with this, but I'd like to give him an example of why I say this.

Systems and processes will evolve over time and may include advances in technology or other features which have become available over time. What is available now might not have been available previously. An example of this is that some credit bureaus are now able to provide information to a lender about an applicant's verified credit account turnover. It could be something like the introduction of NewDay using this which would verify an applicant's turnover in their bank account which would mean they could accept Mr W's application now as opposed to him having to send in his bank statements to prove this. But this wouldn't mean a system is faulty if they didn't use something like this previously. I must stress again that I've used this as an example to show how systems could be changed or evolve over time and NewDay have not told me that this is a change they have made to their system.

In summary, I'm not persuaded that a manual acceptance with the same information which Mr W says was provided as part of the automatic process equates to NewDay having a faulty system originally. So it follows I don't require NewDay to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 September 2023.

Gregory Sloanes
Ombudsman