

The complaint

Mr D complains he was irresponsibly provided with unaffordable credit card accounts and credit limit increases by NewDay Ltd.

What happened

Mr D was provided with two credit card accounts from NewDay under the brands Marbles and Argos.

The below table provides the details of these accounts and NewDay's lending decisions:

Brand	Lending decision	Date	Limit
Marbles	Original limit	January 2016	£300
Marbles	1 st increase	May 2016	£950
Marbles	2 nd increase	September 2016	£2,000
Marbles	3 rd increase	July 2017	£3,000
Marbles	4 th increase	July 2018	£4,250
Marbles	5 th increase	January 2019	£5,750
Argos	Original limit	September 2020	£500

Mr D complained to NewDay in 2022 saying had it completed reasonable and proportionate checks it would have identified all lending decisions were unaffordable for him. When NewDay didn't uphold Mr D's complaint he brought it to our service for review.

Our investigator reviewed Mr D's complaint and upheld it in part. She concluded NewDay hadn't made fair lending decisions from July 2018 onwards. NewDay didn't respond to our investigator's assessment, so the complaint was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide. As previously agreed with Mr D my provisional decision, and therefore this final decision, focuses on the lending events complained about within six years of when this complaint was referred to NewDay; so, from September 2016 onwards.

The following is an extract from my recent provisional decision:

"We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and both Mr D and NewDay are aware of this."

NewDay needed to take reasonable steps to ensure the lending it provided was responsibly lent to Mr D. The relevant rules, regulations and guidance at the time of each of NewDay's lending decisions required it to carry out reasonable and proportionate checks. These checks needed to assess Mr D's ability to afford the credit limit being approved and repay it sustainably, without causing him financial difficulties or harm."

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances.

And it isn't sufficient for NewDay to just complete proportionate checks – it must also consider the information it obtained from these checks to make fair lending decisions. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've carefully considered all of this when reaching my decision.

Marbles credit card – 2nd limit increase onwards – September 2016 to January 2019

For these limit increases NewDay completed a credit check and reviewed Mr D's management of the account up to each lending event. It didn't obtain up-to-date income details for Mr D; or request details of his monthly expenditure at any of these lending events.

At the point of the 2nd limit increase, NewDay's checks identified Mr D's total outstanding debt had increased from around £500 to around £9,000. The management of this account also showed that since the 1st limit increase Mr D was no longer clearing his total balance in full each month, and was instead generally made much lower payments (although higher than the contractual minimum payments).

Mr D's total outstanding debt and management of his account was relatively similar when NewDay completed its checks for the 3rd limit increase.

However, when NewDay increased Mr D's credit limit for the 4th and 5th times, his total outstanding debt had again increased, to around £12,500 and £20,500. His management of the account had remained relatively consistent with generally lower payments being made on a monthly basis; however, these were again higher than the contractual minimum payment due. Mr D's use of the available limit had also changed across this period – he had started to utilise the limit to a higher level, and at times was close to the credit limit; although his balance never went above the available limit, and he incurred just one late payment fee during this time. The credit checks across all of these lending events showed no defaults, CCJs or arrears across any of Mr D's existing credit commitments. So, the credit checks suggested although Mr D's total credit had increased, he was managing his accounts well.

Taking into account the level of the limit being provided at the 2nd increase, together with the significant increase in debt within six months of NewDay's previous limit increase, and the change to Mr D's management of this account, I'm persuaded NewDay's checks weren't proportionate from the 2nd limit increase onwards.

I consider NewDay's checks should have gone that extra step to review Mr D's income and understand his regular monthly expenditure on non-discretionary expenses, as well as understanding his existing credit commitments, as it did. By reviewing Mr D's income and obtaining information about his regular monthly expenditure NewDay would have been able to build a full picture of Mr D's overall financial circumstances at the time of these lending decisions; and satisfy itself that Mr D would be able to sustainably afford to repay this credit.

Our investigator asked Mr D for his bank statements for the months leading up to these limit increases, to obtain an accurate picture of his financial situation around these events. Mr D has said he's unable to provide us with his statements; but he has provided us with details of his income and expenditure around the times of these limit increases, which he has confirmed generally remained consistent across all lending events. In the absence of any

other information, I've considered this evidence to understand what proportionate checks would likely have shown NewDay around the time of each of these lending events.

Mr D has confirmed his income was around £1,800 at the point of the 2nd limit increase and over the course of the following credit limit increases. He has said his regular expenditure totalled just over £600 and was broken down as around £520 per month (£120 per week declared by Mr D) on rent and council tax, an average of around £55 towards a mobile phone, and an average of around £50 a month towards costs associated with his studying. This would have left Mr D with just under £1,200 per month for other living costs such as food and travel, and payments towards his other credit commitments as evidenced within the credit file checks NewDay completed, as well as making payments towards this credit card.

While I acknowledge Mr D had a relatively high level of outstanding debt at the point of the 5th increase, based on the testimony Mr D has provided NewDay's checks would likely have identified that this was around 75% of his income; so while not insignificant it wasn't at an unreasonable level. Mr D has confirmed that a large proportion of this was in relation to a car purchase, and as such had a fixed term and fixed monthly repayments, rather than consisting of opened ended revolving credit that may have had a higher available level of credit. And as I've found above, the credit checks NewDay completed show Mr D appears to have been maintaining his existing credit well.

In the absence of any conflicting information, I consider the amount of disposable income obtained from Mr D's testimony was at a reasonable level for him to have been able to reasonably maintain his living costs and other credit commitments, as well as sustainably afford to repay the credit limit increases NewDay approved.

So, it therefore follows I'm satisfied had NewDay completed reasonable and proportionate checks it would still have reached the same lending decisions, which I currently consider were fair.

If Mr D is able to provide any further information evidencing his financial situation around the times of these lending decisions, such as bank statements for the months leading up to the events, or his full credit file, I will of course review this prior to issuing my final decision.

Argos credit card – the original limit – September 2020

In September 2020 Mr D was approved with a £500 limit under an Argos branded card. At the point of this application NewDay obtained details of Mr D's income, declared as £40,000 by Mr D, and completed a credit file check.

The results of the credit check showed Mr D's total indebtedness at this point had increased slightly to around £21,300. The check also showed that Mr D was managing his existing credit commitments well, with no defaults, CCJ's or arrears having been reported.

At the point of this lending NewDay had a history with Mr D and should have used that history, in part, to influence its lending decision.

Had it reviewed Mr D's Marbles account it would have identified that he requested a credit limit decrease to £500 in January 2020, around nine months before this lending application. I've reviewed the contact notes to identify the reason for this decrease request; but they don't provide any insight other than to confirm the decrease request was received and actioned, and that Mr D was advised he may not be able to increase the limit within a six-month period. So, I'm unable to safely conclude Mr D made NewDay aware of a reason for the decrease request; and therefore, that NewDay should have been on notice that Mr D was experiencing possible financial difficulties around this time.

Mr D told our investigator that he took out a loan in around January 2020 and used this to consolidate his outstanding balance on his Marbles card. So, it appears Mr D responsibly asked NewDay to reduce the limit to stop further spending. But, as it doesn't appear this information was known to NewDay at the point of this application (or at least there's no evidence to suggest this), I don't consider it needed to be concerned about the limit decrease on the Marbles card and therefore consider it as part of its lending decision here.

Mr D was applying for a relatively modest limit and had declared a relatively sizeable income. While the information NewDay obtained from its credit check showed Mr D had a higher level of outstanding debt, this was now at around 50% of his declared income. NewDay's credit checks suggested his existing credit was being maintained well, and I don't consider there was anything from the management of his Marbles card which ought to have been of concern to NewDay, or prompted further checks at this lending decision.

So, for these reasons I think NewDay's checks were reasonable and proportionate based on the terms of credit being provided; and that it went on to make a fair lending decision based on these reasonable and proportionate checks.

I understand Mr D has said he was struggling financially throughout these lending events, and ultimately entered into a Debt Arrangement Scheme in late 2020. While I acknowledge this event, which took place after NewDay's lending decisions, based on Mr D's testimony and the documentary evidence currently available to me, I can't safely conclude NewDay's lending decisions were unfair."

NewDay responded and accepted my provisional decision. Mr D responded to say he didn't accept it. He felt that he had been penalised because NewDay hadn't responded to our investigator's assessment and the case had therefore been reviewed by an ombudsman and the outcome overturned. He provided a copy of his full credit file for my consideration.

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.

Having reviewed the further evidence Mr D has provided, I've not seen anything which leads me to depart from the conclusions I reached within my provisional decision.

I say this because the information within the credit file Mr D has provided largely supports the information NewDay reviewed at each of the lending events I've considered. There's no contradictory information leading me to conclude that NewDay ought reasonably to have been aware of any further information than it had available to it at the times of its lending decisions. And there's nothing to contradict the findings within my provisional decision that these lending decisions were affordable for Mr D.

So, I'm therefore satisfied the lending decisions that I have considered were fairly provided by NewDay. I say this because:

- Although I don't consider NewDay's checks were proportionate from the 2nd limit increase onwards on the Marbles branded card; based on the testimony provided by Mr D it's likely had NewDay completed proportionate checks at each increase that it would have reasonably reached the same decision to increase the credit limit at each event; and
- The checks NewDay completed for the initial credit limit provided to Mr D on the Argos branded card were reasonable and proportionate, based on the terms of credit

being provided and the information NewDay already had and obtained about Mr D's financial circumstances at that time.

It therefore follows I'm satisfied that for the lending events I have considered NewDay made fair lending decisions when providing Mr D with credit.

I appreciate Mr D will be disappointed with this outcome, but I'd like to assure him I've carefully considered all of the available evidence when reaching this decision.

My final decision

For the reasons set out above and in my recent provisional decision, I'm not upholding Mr D's complaint and therefore don't require NewDay Ltd to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 August 2023.

Richard Turner
Ombudsman