

## **The complaint**

Mrs C complains that NewDay Ltd was irresponsible in its lending to her.

## **What happened**

Mrs C was provided with a credit card by NewDay in June 2016. The initial credit limit was £250. Mrs C requested a credit limit increase in January 2017 which was provided, increasing her credit limit to £1,000. Four further credit limit increases were applied to her credit card which resulted in her credit limit increasing to £5,200 in August 2018.

Mrs C says that she was only 18 when the credit card was provided and that she had no income and was reliant on universal credit. She says she has struggled with money and only made the minimum repayments on the credit card. She says NewDay didn't carry out adequate checks before lending and acted irresponsibly by providing her with so much credit. She contacted NewDay and it refunded her £503 which it sent directly to the debt company that now owns her debt. Mrs C says this didn't help her and she didn't think that NewDay had done enough to address her complaint.

NewDay issued a final response letter in May 2022. It said that it considered a range of data before lending, including information from the credit reference agencies and the information provided through the application process. It didn't accept that it had done anything wrong by providing Mrs C with the credit card. It said that checks were then carried out before the credit limit increases were applied. It did however uphold Mrs C's complaint in regard to the final credit limit increase that took place in September 2018. It refunded her around £503 in interest and fees, and this was used to reduce her outstanding balance. Following Mrs C's referral of her complaint to this service, NewDay reconsidered the complaint and reiterated its decision in its final response letter and said it only agreed to the final credit limit increase being upheld.

Our investigator didn't think that NewDay had done enough to resolve this complaint. She thought NewDay had carried out proportionate checks before providing the credit card with the initial credit limit of £250 but she thought further checks should have taken place before the credit limit increases were applied. However, she noted that Mrs C hadn't provided copies of her bank statements or credit report and so she said she didn't have evidence to say what proportionate checks would have shown.

Our investigator noted the account information provided by NewDay and said this suggested Mrs C had managed her account well until April 2018. After this she thought there were signs that Mrs C may be experiencing financial difficulties. She also noted that the size of the credit limit increase applied in May 2018 brought Mrs C's credit limit to £4,000 and she thought this was high given Mrs C's income. Because of this our investigator upheld this complaint from the credit limit increase in May 2018.

NewDay didn't agree with our investigator's view. It said that there had only been one cash withdrawal on Mrs C's card before the offer to increase the credit limit to £4,000 was made and there was nothing to show that the new credit limit would be unaffordable for Mrs C. NewDay said without bank statements for the period it could only be assumed what Mrs C's financial position was.

### *My provisional conclusions*

I issued a provisional decision on this complaint. My findings are set out below.

*I have looked at the information gathered as part of Mrs C's application in June 2016. This recorded her as being employed with a gross annual income of £10,000. I note Mrs C's comment that she was only 18 at the time and so while I do not find her credit report contained information that would have raised concerns, I also accept it was likely to have contained limited information at the time. That said, given the initial credit limit was set at £250, I do not find that the checks carried out were unreasonable and I do not find I can say NewDay acted irresponsibly by providing Mrs C with the credit card.*

*The credit limit was increased on Mrs C's credit card on five occasions. NewDay upheld Mrs C's complaint in regard to the final credit limit increase to £5,200 in September 2018 and refunded her the interest, charges and fees in relation to this. I find this reasonable, however I also find that Mrs C's credit file should be amended to reflect this uphold once she has repaid her outstanding balance which I have set out below.*

*As NewDay upheld the final credit limit increase I have focused on whether the first four credit limit increases were reasonable.*

*The first credit limit increase was requested by Mrs C in January 2017. By this time NewDay had four months' worth of data about Mrs C's credit card usage. Having looked at this, Mrs C had remained within her credit limit and was making repayments above the minimum requirements. I do not find her account raised any concerns and I do not find it unreasonable that NewDay relied on its account management and other internal information alongside the credit reference agency data and accepted this request to increase Mrs C's credit limit to £1,000.*

*Mrs C was offered a further credit limit increase to £2,000 in April 2017 which was accepted in May 2017 and then a further increase in October 2017 which was accepted in November 2017. This brought her credit limit to £2,750. This meant that Mrs C's credit limit was now significantly higher than the initial limit provided less than a year and a half earlier. That said, I accept that the initial credit limit was relatively low. I have looked through Mrs C's account data for this period and I can see that she had made a couple of cash advances, but I do not find this was enough to raise any concerns. Mrs C was keeping her account within the credit limit (and rarely approaching the limit) and was generally paying more than the minimum required repayments. The information received from the credit reference agencies didn't raise any serious concerns, so without any evidence to the contrary, I do not find that I can say NewDay was wrong to provide these credit limit increases.*

*In April 2018, Mrs C was offered a further credit limit increase which was accepted in May 2018. This brought Mrs C's credit limit to £4,000. While I do not find that Mrs C's account management or other data received by NewDay prior to this increase raised any serious concerns that Mrs C might be struggling financially, given Mrs C's initial annual income was recorded as £10,000, and this increase resulted in her credit limit being increased from £1,000 to £4,000 in around a year, I think that further checks should have taken place before this increase was offered.*

*Mrs C has provided copies of her bank statements for the months leading up to the April 2018 credit limit increase. These show her monthly income to be around £790 which is in line with her initial declared annual income of £10,000. Mrs C's bank statements show limited monthly expenses with payments being made to this credit card, a communications provider and an insurance company. Including an amount for the credit card based on a £4,000 limit alongside the other commitments noted above results in monthly expenses of around £260. Additional to these costs, Mrs C was paying for food and other general living costs.*

*Based on the above, while I find that the credit limit increase to £4,000 was significant and further checks should have taken place before this was applied, I do not find that I have enough, based on the evidence I have received to say that this increase shouldn't have been provided.*

No new information was provided following the issuing of my provisional 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

As no new information was provided following the issuing of my provisional decision, my conclusions haven't changed. As I previously set out, I do not find that the checks carried out before NewDay provided Mrs C with the credit card with an initial credit limit of £250 were unreasonable. NewDay raised the credit limit on five occasions, and I agree with its decision to uphold this complaint in regard to the final credit limit increase.

In regard to the other credit limit increases as I set out in my provisional decision, Mrs C requested the first credit limit increase and based on her account history prior to this I do not find I can say NewDay was wrong to provide this. The next two credit limit increases in April 2017 and October 2017 brought her credit limit to £2,750. While this was a significant increase from the initial credit limit, I do not think her account management or credit information from the time raised any concerns. In April 2018, Mrs C was offered a further credit limit increase which brought Mrs C's credit limit to £4,000. I think that further checks should have taken place before this increase was offered, but based on her bank statements and the other information available from the time, I do not find I have enough to say that this credit limit increase shouldn't have been provided.

### **Putting things right**

I am upholding this complaint in regard to the final credit limit increase. This is in line with NewDay Ltd's final response letter and NewDay Ltd has already provided a refund to Mrs C's account based on this. However, I also think it is required to make amendments to Mrs C's credit file to reflect this uphold. I understand that Mrs C still has a debt outstanding which is with a third party, and I find that once Mrs C has cleared the outstanding balance, NewDay Ltd should ensure that any adverse information recorded after the application of the final credit limit increase (September 2018) in relation to the account is removed from Mrs C's credit file.

### **My final decision**

My final decision is that NewDay Ltd should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 4 September 2023.

Jane Archer  
**Ombudsman**