

The complaint

Miss C complains that NewDay Ltd (NewDay) lent to her irresponsibly.

What happened

Miss C had two credit cards from NewDay, an Aqua card and a Marbles card. The Aqua card was opened in November 2015; the Aqua card was opened in December 2017. Limit increases were made as follows:

Aqua card:

Date	Event	Limit
<i>(November 2015)</i>	<i>Account opened</i>	<i>£250**)</i>
<i>(July 2016)</i>	<i>Limit increase</i>	<i>£450**)</i>
August 2020	Limit increase	£1,400
<i>(May 2021)</i>	<i>Limit increase</i>	<i>£2,900*)</i>
<i>(September 2021)</i>	<i>Limit increase</i>	<i>£3,800*)</i>

**NewDay upheld Miss C's complaint re these increases.*

***Considered out of jurisdiction.*

Marbles card:

Date	Event	Limit
December 2017	Account opened	£300
March 2018	Limit increase	£700
October 2018	Limit increase	£1,400
January 2020	Limit decrease	£700
July 2020	Limit increase	£1,200
October 2020	Limit increase	£2,700
<i>(May 2021)</i>	<i>Limit increase</i>	<i>£4,200*)</i>

**NewDay upheld Miss C's complaint re this increase.*

Miss C complained. She said NewDay didn't make sufficient checks. She had a lot of debts, including payday loans, at the time. She couldn't afford the credit from NewDay – and if they'd done the proper checks, they wouldn't have lent her the money or increased the limits. She said NewDay had agreed the increases from May 2021 were wrong and had refunded interest– so they should do the same for the earlier increases.

NewDay said they'd completed sufficient credit checks for the issue of the cards in the first place and for the subsequent increases.

For the Aqua card, NewDay said:

- Miss C said she had an income of £23,000 (gross) per annum, had no access to other income, and had unsecured debts of £700.
- She had no defaults or payday loans and no accounts were in arrears.
- So, the card was issued with a limit of £250.
- On the limit increases, Miss C was given the option to opt out of the offered increases but didn't.
- The checks they'd carried out included the conduct of her Aqua account to date; conduct of other NewDay accounts; internal and external payment plans; payday loan history. Based on the checks carried out at the time, they agreed to lend the money and said the checks were sufficient.
- But given Miss C's circumstances that she'd told NewDay about - they agreed to uphold her complaint from May 2021, and refunded the interest based on the increased borrowing from then on. Interest of £492.53 was refunded.

For the Marbles card, NewDay said:

- Miss C said she had an income of £22,500 per annum, had no access to other income and had unsecured debts of £3,900.
- NewDay said they carried out the same checks as for the Aqua card (above) and issued the card with a limit of £300.
- NewDay said that for the limit increases, the same checks were carried out as for the Aqua card (above), with the same results. Therefore they said the increases were justified.
- But given Miss C's circumstances that she'd told NewDay about - they agreed to uphold her complaint from May 2021, and refunded the interest based on the increased borrowing from then on. Interest and fees of £274.67 was refunded.

Miss C brought her complaint to us. Our investigator said the issue of the Aqua card in November 2015 and the first limit increase (July 2016) were out of jurisdiction – as they occurred more than six years before Miss C referred her complaint to us. Miss C accepted this and we agreed to look at the limit increase on the Aqua card in August 2020 (£1,400); and the issue of the Marbles card in December 2017 and the subsequent limit increases.

She said that NewDay carried out sufficient and proportionate checks for all the lending decisions – up to May 2021. She said NewDay should've looked at Miss C's circumstances with effect from the October 2018 increases, but didn't. But if NewDay had've done so – they

would've found that Miss C could afford the increased borrowing, based on what her bank account statements showed. She didn't look at what happened in May 2021 and thereafter – as NewDay had upheld Miss C's complaint about those.

Miss C didn't agree. She said that NewDay must have seen she had more than £25,000 of other debts at the time, and the payments to these was £700-800 per month, which wasn't affordable. Added to the payments to NewDay (£300), it was clear she couldn't afford the NewDay debts. She asked that an ombudsman look at her complaint.

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.

In deciding whether a customer was provided with unaffordable credit or provided with credit irresponsibly, we need to understand:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- If reasonable and proportionate checks weren't completed, would reasonable and proportionate checks more likely than not have shown that the borrower was more likely than not unable to sustainably repay what they were being lent?
- Was there a point where the lender ought reasonably to have realised it was increasing the borrower's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?
- Did the lender act unfairly or unreasonably in some other way?

And, these considerations must be borne in mind at the time of each of the increases in credit limit. The checks need to be more thorough the lower a customer's income and the higher the amount to be repaid.

So, I have looked at what happened here with this guidance in mind.

Lending decisions – December 2017 and March 2018:

I can see Miss C declared an income of around £1,500 per month. I've seen the information NewDay reviewed – there was no adverse credit information (e.g. defaults, late payments, arrears). NewDay could see Miss C had around £4,000 of other unsecured debts, which was low. And – Miss C was making the payments to the NewDay cards each month, without any missed payments. There weren't any over limit situations. So – as I see it, there was nothing to concern NewDay in making these lending decisions.

Lending decisions – October 2018 (£1,400); July 2020 (£1,200); August 2020 (£1,400); October 2020 (£2,700):

These are the important increases in the context of Miss C's complaint. I reviewed the information and checks NewDay undertook at the time of the increases. I can see that:

- Miss C had made the payments to her NewDay cards every month, with no missed payments.

- There had been no over limit occurrences.
- All her other external debts were being repaid, with no arrears or missed payments.
- There was no legal action taking place on her other debts.

So – I can see that NewDay concluded that Miss C was managing her finances satisfactorily.

Miss C has argued that she had a lot of other debts – and this should've caused NewDay not to lend her more money. I looked at this. NewDay could see that Miss C had 'other unsecured debts' of £25,000 between July 2020 and October 2020. There were ten other debt accounts. So - on the face of it, this seems a lot – when Miss C earned around £1,500 per month. As our investigator said, given this borrowing, NewDay should've made more inquiries – such as looking at her bank statements.

So – to see what NewDay would've seen - I looked at Miss C's bank statements for the period of the increases. For October 2018 - I can only see the repayments to a large bank loan and to two credit cards (totalling £509 per month). For July 2020 to October 2020, I can see the same bank loan payments and two other credit cards being repaid (totalling around £670 per month). I couldn't see any other payments – for example, to payday loan companies.

Miss C sent to us her credit report, and this shows two payday loans were paid off by June 2018. So – those payments would've stopped. There was one other loan of £4,000 taken out in October 2016 – which was being paid on time (but the payments for this aren't shown on Miss C's bank statement).

It looks as if the largest loan at the time was the bank loan – which I think would've had a balance of around £20,000 in October 2020 – so that was the largest part of the 'other debts' figure (of £25,000) shown. And – it looks like the other loan of £4,000 was the other main part of the 'other debts' figure.

But – I can only go on the evidence I have been presented with – and these debts were being paid on time. And – Miss C was making the payments to the NewDay credit cards every month, without fail. So – even if NewDay had looked into her financial situation more closely, I'm persuaded that they would've concluded that it was reasonable to lend the additional money to Miss C.

Miss C has argued that as NewDay have upheld her complaint about the increases in May 2021 and thereafter, then it follows that the earlier increases were also irresponsible. But here, I'm not party to why NewDay upheld the later increases, and I don't think it follows that the earlier ones must have also been wrong – I can only make a decision based on the information I can see, and which I've reviewed.

Therefore, while I know Miss C will be disappointed by my decision, I'm not asking NewDay to do anymore here.

My final decision

I do not uphold this complaint.

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

Martin Lord

Ombudsman