

The complaint

Miss H complains that NewDay Ltd (trading as Marbles) was irresponsible to lend to her.

What happened

Miss H was approved for a Marbles credit card in June 2021, and then two credit limit increases as follows:

Date	Credit Limit
20 Jun 2021	£900
12 Apr 2022	£1,900
12 Aug 2022	£2,650

Miss H's representative says it has reviewed her credit file from the time of the lending and is not satisfied that Marbles carried out proportionate checks before agreeing to provide her with credit. It says the high interest rates have caused Miss H stress and ill-health.

Marbles said it asked Miss H about her income and checked her credit file at the time of the application. It says Miss H met its acceptance criteria and she was approved for a credit card with a £900 limit. Marbles says that, following reviews of her account, Miss H was offered two credit limit increases. It adds that Miss H was given 40 days' notice of the amendments and could have opted out at that stage.

However, Marbles acknowledged that Miss H made a cash transaction, and her external debt had increased significantly, when the final credit limit increase was applied. Therefore, it offered to refund all charges and interest on any balance over £1,900.

Our investigator recommended the complaint should be upheld from the account opening. He wasn't satisfied that the checks went far enough and that proportionate checks were likely to have found the lending was unaffordable. He said that Marbles should rework the account to remove interest and fees and add 8% interest on credit balances. He added that adverse information should be removed from Miss H's credit file once the balance was zero.

Marbles responded to say, in summary, that it believes its offer is fair based on the information it had at the time. It adds that Miss H didn't get in contact about financial difficulties until May 2023 following her reduced income due to maternity leave.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Miss H's case, I've considered the following:

- Did Marbles complete reasonable and proportionate checks when assessing Miss H's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Marbles make fair lending decisions?
- Did Marbles act unfairly or unreasonably in some other way?

Account Opening

When Miss H applied for the Marbles card, I've seen evidence to show it checked her credit file and asked her about her income and personal circumstances. These checks showed:

- A declared income of £15,000 per year;
- Miss H was single, employed and living in rented accommodation;
- She had four credit accounts with unsecured debt of £2,500;
- Two defaulted accounts, totalling £900, from over three years earlier.

Based on the above I'm not satisfied that Marbles' checks went far enough because:

- A credit card is a long-term, open-ended credit facility and Marbles needed to ensure it was sustainably affordable;
- I can't see that Marbles verified Miss H's declared employment or income;
- There was no information on Miss H's living expenses, including rent;

So, I've had a look at Miss H's bank statements from the time as a reasonable proxy for what proportionate checks are likely to have shown:

- Miss H's income was primarily from benefits and was around £2,000 per month;
 - She didn't appear to have received any employment income since April 2021;
 - This included two other regular amounts each month totalling £529;
- Her rent and bills came to around £850 per month;
- She was spending at least £170 per month on television and mobile phones;
- Childcare costs were around £250 per month;
- Online learning cost just over £100 per month;
- Food and petrol was costing Miss H at least £700 each month;
- Car insurance and payments to a savings club totalled £80;
- She was paying about £80 per month on overdraft interest and a credit card.

This meant Miss H was already over-committed by £200 each month which had caused her overdraft to increase by over £1,000 since February 2021. As a result, she was also having multiple direct debits returned unpaid.

So, although I accept the card was approved with a modest credit limit, I find Miss H was already struggling financially and further lending was unsustainable for her.

In summary, I find Marbles was irresponsible to have approved Miss H's application, although I can't see it acted unfairly or unreasonably in any other way.

My final decision

My decision is that I uphold this complaint. NewDay Ltd (trading as Marbles) should:

- Rework the account removing all interest and charges that have been applied:
 - If the rework results in a credit balance, this should be refunded to Miss H along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Marbles should also remove all adverse information regarding the account from Miss H's credit file;
 - Or, if after the rework there is still an outstanding balance, Marbles should arrange an affordable repayment plan with Miss H for the remaining amount. Once Miss H has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Marbles to deduct tax from any award of interest. It must give Miss H a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 10 January 2024.

Amanda Williams
Ombudsman