

The complaint

Mr H complains that NewDay Ltd trading as Marbles lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

In February 2017, Mr H applied for a credit card with Marbles. In his application, Mr H said he was a tenant and employed with an income of £16,500. Marbles says it carried out a credit search and didn't find any adverse information. Marbles applied its lending criteria and approved Mr H's credit card application with a limit of £300.

In August 2017 Marbles increased the credit limit to £850 and in January 2019 it went up to £1,600.

Mr H's credit card later fell into arrears and was closed at default by Marbles in 2019 then sold to another business.

Last year, Mr H complained that Marbles lent irresponsibly and later referred his case to the Financial Ombudsman Service when no final response was received. Mr H's complaint was passed to an investigator who asked Marbles to supply a copy of its case file.

In its file submission, Marbles explained it wanted to make an offer to settle Mr H's complaint. Marbles said it had reviewed Mr H's credit card and agreed it shouldn't have approved the credit limit increases in August 2017 and January 2018. Marbles offered to refund all interest, fees and charges applied to Mr H's credit card on balances over £300 from August 2017 until the date of default, when interest ceased to be applied.

The investigator wasn't persuaded Marbles lent irresponsibly when it approved the credit card with a limit of £300 and said they thought its offer to refund the interest fees and charges applied to balances above that figure after August 2017 was a fair way to resolve Mr H's complaint. Mr H asked to appeal, so his complaint has been passed to me to make a 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.

Before agreeing to lend by increasing the credit limit, the rules say Marbles had to complete reasonable and proportionate checks to ensure Mr H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;

- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

In this case, Mr H completed an application that gave some information about his circumstances at the time. Mr H confirmed he was employed with an income of £16,500 and renting privately. Marbles also carried out a credit search. Whilst I understand Mr H has told us he had adverse credit at the point of his application, Marbles' credit search didn't find any County Court Judgements or other adverse information on his credit file. Marbles noted Mr H had other active accounts and has explained they were factored into its lending assessment.

Whilst I understand the credit card was later unaffordable, I think it's fair to note the initial credit limit of £300 was modest. In my view, the level and nature of checks Marbles completed before approving Mr H's credit card application were reasonable and proportionate to the type and amount of credit being provided. I'm sorry to disappoint Mr H but I haven't been persuaded that Marbles needed to carry out more comprehensive checks or lent irresponsibly when it approved his credit card application.

Marbles has already confirmed it's upholding Mr H's complaint about the decision to increase his credit limit in August 2017 and January 2019 and agreed to refund all interest, fees and charges applied to balances over £300. As Marbles has already agreed that this part of Mr H's complaint should be upheld, I don't need to make a further finding on whether it lent irresponsibly.

I'm satisfied that the settlement Marbles has agreed to make is a fair and reasonable way to resolve Mr H's complaint and in line with what I would've told it to pay, had no offer been made. As I'm satisfied a fair settlement has already been agreed, I'm going to proceed on that basis and uphold Mr H's complaint.

My final decision

My decision is that I uphold Mr H's complaint and direct NewDay Ltd trading as Marbles to settle as follows:

- Rework the credit card removing all interest, fees, charges and insurances (not already refunded) that have been applied on balances over £300 from February 2017 onwards
- If the rework results in a credit balance, this should be refunded to Mr 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 from Mr H credit file
- Or, if after the rework there is still an outstanding balance, Marbles should arrange an affordable repayment plan with Mr H for the remaining amount (if it hasn't done so already) and remove any adverse credit reported from February 2017 onwards once repaid

If Marbles has sold the debt to a third party business it will need to take steps to either buy the account back or work with the new debt owner to put this settlement in place.

*HM Revenue & Customs requires Marbles to deduct tax from any award of interest. It must give Mr H a certificate showing how much tax has been taken off if he 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 Mr H to accept or reject my decision before 15 March 2024.

Marco Manente
Ombudsman