

## **The complaint**

Mr J has complained that NewDay Ltd acted irresponsibly when it increased the credit limits on two credit cards he held with it in 2016.

## **Background**

Mr J had two NewDay credit cards, one 'Marbles' card and one 'Aqua' card in 2016. The limit on the Marbles card increased from £300 to £500 in May 2016 and again from £500 to £1,200 in September 2016. The limit on the Aqua card increased from £1,500 to £2,500 in June 2016.

Mr J has complained that when NewDay increased the limits on both cards it did so irresponsibly as he says he wasn't able to afford the additional credit limit and that it wasn't sustainable. He wants NewDay to refund all interest and charges applied to the accounts.

NewDay says that at the time of all three credit limit increases it checked to see how the cards were being managed and was satisfied there were no recent missed payments or instances where Mr J exceeded his credit limit. So, it thought the lending was appropriate and didn't uphold the complaint.

Unhappy with NewDay's response Mr J brought his complaint to our service. One of our investigators looked into the complaint already. She upheld the complaint on the basis that although Mr J didn't have any recent missed payments on his account at the time of the increases there was a previous history of missed payments. And Mr J was sitting close to the limit at the time of the increases while only making minimum repayments each month. In addition, she said the evidence on his credit file from 2016 showed a reliance on credit. So overall she didn't think the increases were likely to be sustainable for Mr J and she didn't think the lending decisions were appropriate.

Mr J accepted the investigators findings but NewDay didn't. In essence it felt that while there had previously been some issues with how Mr J had managed the cards these were historic, and the accounts had been properly managed in the lead up to the increases. It also accepted that while Mr J ended up in a debt management plan a few months after the limit increases took place there was nothing on file at the time that could've indicated the additional credit wouldn't be sustainable for him.

Because NewDay didn't accept the findings of the investigator the case has been passed to me for consideration.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr J previously complained about the opening of both accounts and that has already been addressed by this service. So, this decision is only considering what happened in 2016 when the credit limits were increased.

For the sake of clarity, I'll consider the credit limit increases in chronological order.

The first increase to Mr J's existing credit limits happened in May 2016 when the credit limit on the Marbles card was increased from £300 to £500. At that time Mr J was actively using the card, which had been opened six months previously, but was only meeting his minimum monthly repayments despite the fact that the balance was relevantly low. Looking at his credit file from that time I can see he had taken a high-cost credit personal loan in January 2016, and had other credit cards, beyond the two he held with NewDay at the time. Although there were no recent arrears on the card I do think NewDay should've taken a closer look at how Mr J was managing his finances before increasing the credit limit as I think there were some sustainability concerns at this time. If it had run more thorough checks I don't think it would've agreed to this limit increase despite the fact that it was relatively low.

The next credit limit increase happened on the Aqua card in June 2016, just one month after the Marbles limit had been increased. This was a much more substantial increase, from £1,500 to £2,500. Looking at how Mr J managed that card prior to the increase I can see that he was sitting extremely close to the £1,500 limit for the 6 months previous and was only making the minimum payments due each month so never really reducing the capital amount owed in any meaningful way. Given the increase on the Marbles card just four weeks prior to this I think NewDay should've done more to clarify how Mr J was managing his existing credit facilities and considered whether or not this was genuinely likely to be sustainable for him. I don't think it did enough to verify Mr J's circumstances and so I don't think this lending decision was appropriate.

The final increase happened on the Marbles card in September 2016 when the limit changed from £500 to £1,200. This was only three months after the Aqua card limit had been increased by £1,000. Just before this limit increase Mr J had applied for a credit card with another provider earlier that month. In addition, looking at the Marbles statements between June, when the first increase happened, and late September when the second one happened, I can see that the amount owed was consistently over £400 each month but Mr J was only making minimum payments. So again, not really reducing the capital owed in any meaningful way.

Therefore, I agree with the outcome reached by our investigator and don't think NewDay should've given Mr J access to the additional credit it did throughout 2016. There was already a history of Mr J struggling to manage the cards when they had lower limits, and although he hadn't missed any recent payments, he wasn't reducing the capital amount owed. He was also applying for additional credit elsewhere.

So, I think it should've been apparent to NewDay that there were sustainability concerns for Mr J and it shouldn't have provided any of the limit increases it did. Mr J had to enter a debt management plan and shortly after the increases were approved and a number of his accounts ended up defaulting which speaks to the fact the lending was never sustainable.

For these reasons I'm upholding his complaint.

### **Putting things right**

As I don't think NewDay ought to have increased Mr J's Marbles limit beyond £300 or the Aqua limit beyond £1,500, I don't think it's fair for it to be able to add any interest or charges on any balance that exceeds the previous limits. But I think Mr J should still pay back the amounts he borrowed on the cards.

Therefore, NewDay should:

- Rework both accounts removing all interest, fees, insurances and charges (not already refunded) that have been applied to balances since the increases in May and June 2016.
- If the rework results in a credit balance, this should be refunded to Mr J along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement.
- If, after all adjustments have been made, Mr J no longer owes any money, then all adverse information regarding these accounts should be removed from his credit file from May/June 2016 (as applicable)
- Or, if an outstanding balance remains, NewDay should look to arrange an affordable payment plan with Mr J for the outstanding amount. If the debt was sold to a third party, NewDay are to either repurchase the debt or liaise with the third party to ensure the above steps are undertaken. Once Mr J has cleared the balance, any adverse information should be removed from his credit file.

\*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mr J 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.

### **My final decision**

For the reasons set out above I uphold Mr J's complaint against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 February 2024.

Karen Hanlon  
**Ombudsman**