

## **The complaint**

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

## **What happened**

Mrs C holds three accounts with NewDay. She says the accounts were opened without adequate checks and her credit limits increased without a review of her financial situation. She says at the time she had a history of late payments and a failed Individual Voluntary Arrangement (IVA). She said that her mental and physical health have deteriorated, and she has diagnosed conditions that weren't taken into account when the lending was agreed.

NewDay issued a final response dated 26 April 2023. It explained that is a second-chance lender and allows for negative information on a credit report as its accounts are designed to help consumers with a lower credit rating. It said before lending it considers a range of information including the information provided in the application, any account history with NewDay and information from the credit reference agencies. It said that after assessing the information it received it was satisfied that the Aqua and Pulse accounts had been provided correctly but said the second credit limit increases applied to the Aqua account in June 2022 and the Pulse account in April 2022, were not suitable. It therefore said the fees, charges and proportionate interest on these accounts would be refunded from the point of these credit limit increases. NewDay also said that its review suggested that the AO account wasn't suitable for Mrs C. I understand this account has been closed.

Our investigator didn't uphold this complaint. She thought the checks carried out before the Aqua account was opened and first credit limit increase applied were reasonable and she didn't think these checks suggested the lending shouldn't have been provided. She noted that NewDay had upheld Mrs C's complaint regarding the second credit limit increase and said the redress provided was reasonable.

Regarding the Pulse account, our investigator thought the checks carried out before the credit card was provided and first credit limit increased were proportionate and she didn't think these showed the lending shouldn't have been provided. She noted that NewDay had upheld Mrs C' complaint regarding the second credit limit increase and said the resolution was reasonable.

Our investigator said that NewDay had reviewed Mrs C's AO account and found it wasn't suitable and decided to close this account. She noted that this account hadn't been used.

Mrs C didn't agree with our investigator's view. She said the IVA she had in 2018 was to improve her financial situation but this failed and that her ADHD diagnosis coincides with impulsiveness of spending which affected her financial stability. She said that given NewDay lent to people with lower credit ratings it should have a greater responsibility to ensure the lending was affordable. She said her financial situation should have been fully assessed before the lending as she has only ever been on state benefits. She feels her debts should be written off and said that she felt harassed by the contact made about repaying these.

## **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.

The way we look at complaints about unaffordable and irresponsible lending is set out on our website, including the key relevant rules, guidance good industry practice and law. I've taken this into account when considering what Mrs C has said.

Mrs C was provided with three accounts by NewDay. Before providing credit to Mrs C NewDay was required to undertake proportionate checks to ensure the lending was affordable. There isn't a list of what specific checks should be undertaken but these need to be reasonable and proportionate to the type and amount of credit being provided, the length of the credit being provided, the frequency of use, the repayments and the total cost of the credit.

I have assessed each of the accounts below to decide whether I consider the checks NewDay carried out were proportionate and, if so, whether the information gained through these checks raised concerns about the affordability of the lending.

### *Aqua account*

Mrs C applied for an Aqua account on 4 September 2021. In her application she declared an annual income of £48,000 and unsecured debt of £26,500. NewDay carried out a credit search and this showed that Mrs C had three historic defaults, with the most recent being 43 months prior. The value of the defaults totalled £4,600 and she had no adverse public records or accounts in arrears.

NewDay has said that it is an instant credit provider and doesn't require evidence of income and expenditure but that it carried out checks of the application information provided with the credit reference agencies. I have considered this and having looked at the bank statements Mrs C has provided; I find that these support the income she had declared. I appreciate the income Mrs C received was through benefits, but it is reasonable that this is taken into account when assessing affordability and in this case, I find it reasonable that Mrs C's declared income was relied on.

I understand that NewDay will provide credit to customers who may have adverse information recorded on their credit files. But I also agree with the comment Mrs C made that given this it is reasonable to expect that NewDay would fully assess the credit history to understand whether this raised concerns about the sustainability of any repayments. I have looked at the credit results NewDay received and also the copy of the credit file supplied by Mrs C. While Mrs C did have adverse information recorded (three defaults) these were historic with the most recent being 43 months before her application. Mrs C did have outstanding debt at the time, but she appeared to be managing this. As there was no recent adverse information recorded and noting the credit limit of £250 being provided, I find that the checks NewDay carried out were proportionate. As these didn't raise concerns about the affordability of the lending, I do not find that NewDay was wrong to provide Mrs C with this account.

NewDay increased Mrs C's credit limit from £250 to £1,250 in February 2022. I have looked at Mrs C's account management between when she opened her account and the credit limit increase. This showed that she was remaining within her credit limit and making payments above the minimum amount required. While I note that NewDay had increased Mrs C's credit limit on her Pulse card during this period, the external credit information gathered showed her circumstances remained reasonably similar to when the account was opened.

Based on this I do not find I have enough to say that this credit limit increase should have been considered unaffordable.

NewDay upheld Mrs C's complaint regarding the second credit limit increase and refunded her proportionate interest and charges. I find this reasonable.

#### *Pulse account*

Mrs C applied for a Pulse account at the same time as applying for the Aqua account. The information gained at that time was therefore the same as with the Aqua account plus it was also noted in the application that Mrs C had access to other monthly household income of £416.

As I set out above, I find it reasonable that the declared income was relied on at this time and I do not find that Mrs C's credit file raised concerns that meant further checks were required. Taking into account the credit limit provided at this time was £600 (but also that Mrs C was provided with a £250 credit limit on an Aqua card at the same time) and noting that I think the checks undertaken were proportionate, I have considered whether the information gathered suggested that this lending was unaffordable for Mrs C. Having done so I do not find I have enough to say that this account with an initial credit limit of £600 should have been considered unaffordable for Mrs C.

NewDay increased Mrs C's credit limit from £600 to £1,600 in December 2021. I have looked at Mrs C's account management between when she opened her account and the credit limit increase. This showed that she was remaining within her credit limit and making payments above the minimum amount required. The external credit information gathered showed her circumstances remained similar to when the account was opened. Based on this I do not find I have enough to say that this credit limit increase should have been considered unaffordable.

NewDay upheld Mrs C's complaint regarding the second credit limit increase and refunded her proportionate interest and charges. I find this reasonable.

#### *AO account*

NewDay upheld Mrs C's complaint regarding the AO account. It said that on review the account wasn't suitable. However, as the account wasn't used, I cannot say that the provision of this account caused any detriment to Mrs C. I note this account has now been closed which I find reasonable and so I haven't considered this any further.

Mrs C has explained the health conditions she suffers from, and I do not underestimate how difficult things have been for her. However, I have nothing to show that NewDay was aware of her health conditions at the time it provided the lending. Therefore, I cannot say that it was able to take this into account. NewDay has explained that due to the arrears on the accounts these have been passed to a third party to manage.

Overall, while I understand that Mrs C feels the debts should be written off. In this case, I think the actions NewDay has taken in response to her complaint are reasonable and I do not require it to take any further action.

#### **My final decision**

My final decision is that NewDay Ltd isn't required to do anything further 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 9 February 2024.

Jane Archer  
**Ombudsman**