

The complaint

Miss N complains that NewDay Ltd was irresponsible in its lending to her.

What happened

Miss N was provided with three credit cards by NewDay. An Opus credit card in April 2018 with an initial credit limit of £600 which was then increased on three occasions resulting in a credit limit of £4,000 in June 2019. A Debenhams credit card in August 2018 with an initial credit limit of £900 which wasn't increased. And a Fluid credit card in August 2019 with an initial credit limit of £600 which was increased in January 2020 to £1,000.

Miss N says that NewDay provided her with credit cards and increased the credit limits on these even though she was operating in her overdraft and had recently come out of an individual voluntary arrangement (IVA). She says that since she raised her complaint NewDay sold her debt to a third party.

NewDay said that Miss N met its acceptance criteria for the credit cards to be provided with their initial limits. Prior to any credit limit increase it said an evaluation of Miss N's account management and external credit was undertaken and based on this the credit limit increases were applied correctly.

Our investigator didn't uphold this complaint. She thought the checks carried out before the Opus and Debenhams credit cards were provided were proportionate and didn't raise concerns that the lending was unaffordable. She thought further checks should have been undertaken before the credit limit increases on the Opus card were applied and before the Fluid credit card was provided and credit limit increased. But, as our investigator hadn't been provided with evidence to show what NewDay would have seen had further checks taken place she didn't find she could uphold this complaint.

Miss N didn't agree with our investigator view.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Opus credit card

Before the Opus credit card was provided information was gathered about Miss N's income and a credit check carried out. Miss N declared an annual gross income of £6,000 and said she had access to additional 'other' net monthly household income of £1,964. She said she had £800 of unsecured debt. The credit check showed she had no defaults or accounts in arrears and while there was a public record this was historic. Considering the initial credit limit for the card was £600, I find the checks were reasonable and I do not find I can say that NewDay acted irresponsibly by providing the credit card.

Miss N's Opus credit limit was increased on three occasions: September 2018 to £1,500; January 2019 to £2,250 and June 2019 to £4,000. Before providing further credit, we would expect NewDay to carry out proportionate checks to ensure any new lending was affordable for Miss N.

NewDay has said that based on how Miss N was managing her account it was satisfied that the credit limit increases had been applied correctly. Having looked at Miss N's Opus account before the credit limit increases were applied, she was generally managing her account well. There were fees that were reversed, and she did incur a late fee in November 2018, but her balance remained within the credit limit and Miss N was making the monthly payments, often paying amount substantially above the minimum required. So, I do not find that her account management raised any concerns. However, I note that before the first credit limit increase, Miss N's external debt had increased to over £6,500 and noting her low annual income, I think it would have been reasonable to carry out further checks to ensure this additional lending was affordable.

Unfortunately, Miss N hasn't been able to provide further information (such as bank statements from the time) and without additional evidence I do not find that I can say that had further checks taken place they would have shown the lending to have been unaffordable. Therefore, I do not find I have enough to uphold Miss N's complaint in regard to this credit card.

Debenhams credit card

Before the Debenhams credit card was provided information was gathered about Miss N's income and a credit check carried out. Miss N declared an annual gross income of £7,500 and said she had access to an additional 'other' net monthly household income of £2,247. She said she had £1,200 of unsecured debt and had monthly accommodation costs of £600 and living costs of £500. The credit check showed she had defaults, but these were historic, and she had no accounts in arrears. NewDay also had access to Miss N's account management data for her Opus card and I do not find that this would have raised concerns. Therefore, in this case I find the checks carried out were reasonable and I do not find I can say NewDay was wrong to provide the credit card with a £900 credit limit.

Pulse credit card

Before the Pulse credit card was provided information was gathered about Miss N's income and a credit check carried out. Miss N declared an annual gross income of £12,000 and said she had access to an additional 'other' net monthly household income of £2,417. She said she had £4,900 of unsecured debt. The credit check showed she had defaults, but these were historic, and she had no accounts in arrears.

I do not find, in isolation, the provision of this credit card should have raised concerns, noting the initial credit limit of £600. But I do think that given NewDay had provided Miss N with two other credit cards and increased the credit limit twice on the Opus card that it should have

carried out further checks to ensure that this additional credit card would be affordable for Miss N.

Unfortunately, Miss N hasn't been able to provide further information such as bank statements from the time and without additional evidence I do not find that I can say that had further checks taken place they would have shown the lending to have been unaffordable. Therefore, I do not find I have enough to uphold Miss N's complaint in regard to this credit card.

In conclusion, I think that further checks should have taken place before the credit limit increases were applied to Miss N's Opus credit card and before the provision of the Fluid credit card. But, as I do not have evidence to show that had these checks taken place the lending would have been seen to be unaffordable, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not have enough to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 1 April 2024.

Jane Archer
Ombudsman