

The complaint

Ms R complains that NewDay Ltd was irresponsible in its lending to her.

What happened

Ms R was provided with two credit cards by NewDay. A Marbles credit card in March 2021 with an initial credit limit of £900 and a Fluid credit card in May 2022 with an initial credit limit of £1,200. The credit limit on Ms R's Marbles credit card was increased on four occasions and the limit on her Fluid credit card increased twice.

Ms R complains that NewDay allowed her to take out a Marbles credit card and then increased her credit limit making it unaffordable. She was then provided with a further credit card even though she had substantial debts at the time. She says that the correct checks weren't carried out before the lending was provided and she should never have been given so much credit. She says she can't afford the repayments on the credit cards and the stress is affecting her mental health. She said she wanted her debt written off and her accounts closed.

NewDay issued a final response letter dated 22 August 2023. It said that before the credit cards were provided it gathered information about Ms R's income and carried out a credit check. It said that based on the information Ms R provided as part of her application and the information gained from the credit reference agencies it was satisfied that the accounts had been provided correctly and in line with its responsible lending policy. Regarding the credit limit increases it said that proportionate checks were undertaken before these were provided. But, based on the information it received from Ms R it upheld her complaint from the credit limit increase on Ms R's Marbles credit card applied in October 2022 and from the credit limit increase applied to her Fluid card in September 2022.

Our investigator thought that the actions set out in NewDay's final response were reasonable.

Ms R didn't accept our investigator's view. She said that her credit file showed she was struggling financially and at the time of the credit limit increases she was utilising any credit she could to try to meet her minimum repayments. She said her salary decreased during this period and that some of the money coming into her account wasn't for her use. Ms R accepted she needed to repay what she had borrowed but didn't think that she should be responsible for any interest or charges because the correct checks weren't carried out.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

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.

NewDay upheld Ms R's complaint from the credit limit increase applied to her Marbles credit card in October 2022 and from the increase applied to her Fluid card in September 2022 and took the action we would expect regarding this. Therefore, I haven't considered this part of the complaint any further.

Ms R thinks that all interest and charges applied to the credit card accounts should be removed. I note the comments she has made about her current situation and the stress this is causing. But, in considering whether I require NewDay to do anything further I need to assess how reasonable its checks were before the lending was provided and whether the lending was responsible. Having done this, I think the action it has taken, as set out in its final response letter, is reasonable. I have set out my reasons for this below.

Marbles credit card

Before NewDay provided Ms R with a Marbles credit card it gathered information about her income and residential status and carried out a credit check. Ms R was recorded as being employed with a gross annual income of £27,000. The credit check showed that Ms R had a default recorded but as this was 71 months old I accept this was historic and as the other information showed no recent defaults, public records or payday loans I do not think that this meant the lending shouldn't have been provided. The credit search also showed that Ms R had total unsecured debts of £16,800. This was a high level of indebtedness and so I think it would have been reasonable for NewDay to have verified Ms R's income to ensure the additional lending was affordable.

I do not think that NewDay was required to check Ms R's bank statements at this time but as these have been provided, I have used this information to establish what further checks would have shown. Based on this, I do not find I can say that further checks would have raised concerns about Ms R's income and considering the initial credit limit of £900, I do not find I can say this would have been found to be unaffordable.

NewDay increased Ms R's credit limit on four occasions (but I haven't considered the final increase as NewDay has already upheld this part of the complaint). It also decreased the credit limit on one occasion. Before the credit limit increases took place, NewDay has said that proportionate checks took place. At this point NewDay had details about how Ms R was managing her account and information about her other external credit commitments. I also think it would have been reasonable to verify Ms R's income and understand her other expenses at the time before further lending was provided.

I have looked at the information that NewDay had available to it up to the third credit limit increase in July 2022 and also what it would have identified had it verified Ms R's income and asked further questions about her expenses. Having done so I do not find that Ms R's account management raised concerns. She was making the required repayments and her account was kept within the credit limit. She wasn't generally incurring additional charges and wasn't taking cash advances. Therefore, I do not find her account management suggested she was struggling financially. However, Ms R did have a substantial amount of other outstanding credit commitments which could have raised concerns.

I have looked through the additional information that has been provided and can see that Ms R's monthly income from her employment was around £2,300 for the period when the credit limit increases took place. Additional to this she was receiving income from benefits although I note her comments about this. Ms R was making payments towards other credit commitments and transferring a regular amount to a joint account for household expenses. However, taking this into account, and noting the amounts that would be repayable given the increased credit limits, I do not find I have enough to say that had further checks been carried out these would have shown the credit limit increases to have been unaffordable.

Fluid credit card

NewDay provided Ms R with a second credit card in May 2022. At this time, her credit limit on her Marbles credit card was £1,550. By providing the Fluid credit card with an initial limit of £1,200, NewDay was providing a total of £2,750 of credit to Ms R. I have looked at the information gathered through the application process and what would have been identified had further checks been carried out. This shows Ms R's monthly income from her employment to be around £2,300 which was above the amount declared in her application. While Ms R did have £18,000 of unsecured debt the credit search didn't raise any concerns about this and she appeared to be managing her credit commitments and had no accounts being recorded as in arrears. Based on the information I have seen, I do not find that I can say this lending should have been considered unaffordable.

As NewDay upheld Ms R's complaint regarding the credit limit increases on this card I haven't considered those any further.

In conclusion, I am very sorry to hear of the stress Ms R has experienced and I would remind NewDay that it is required to treat Ms R positively and sympathetically. But, while I know my decision will be a disappointment to Ms R, I find in this case, that the actions taken by NewDay in response to Ms R's complaint were reasonable. Therefore, I do not require it to do anything further.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 23 April 2024.

Jane Archer
Ombudsman