

The complaint

Miss M complains that the credit card she had from NewDay Ltd was unaffordable to her.

What happened

Miss M was approved for a NewDay credit card in December 2019, and then a credit limit increase as follows:

<u>Date</u>	<u>Credit Limit</u>
18 Dec 2019	£500
6 Oct 2020	£1,250

Miss M says she had five other credit accounts when she applied for the NewDay card, all of which were at their limits. She says she was only making the minimum repayments and had missed some repayments as she could not afford them. Miss M says that if NewDay had checked her credit file it would have seen her debt was increasing as she was having to borrow more each month.

NewDay said it asked Miss M about her income and expenditure and checked her credit file when she applied for the account. It says it found no adverse information and the application met its criteria. It then said it re-checked Miss M's credit file, along with the management of her account before increasing her limit.

Our investigator did not recommend the complaint should be upheld. He was satisfied that NewDay had carried out proportionate checks and that there was nothing to indicate the lending was unaffordable to Miss M.

Miss M responded to request that an ombudsman review her complaint.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Miss M's case, I have considered the following questions:

- Did NewDay complete reasonable and proportionate checks when assessing Miss M's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?

- If not, what would reasonable and proportionate checks have shown?
- Did NewDay make fair lending decisions?
- Did NewDay act unfairly or unreasonably in some other way?

Account Opening

When Miss M applied for the NewDay card, I've seen evidence to show it checked her credit file and asked her about her income and personal circumstances. These checks showed:

- Miss M was employed with an income of £9,600 per year;
- She said she had no housing costs;
- A declared monthly expenditure of £300 for other living expenses;
- She had five credit accounts with unsecured debt of £900;
- No adverse information on her credit file.

Based on the above I'm satisfied that NewDay's checks went far enough. I say that because:

- The card was approved with a modest limit;
- Miss M had a relatively small amount of other unsecured debt;
- Evidence suggests that she was living at home with an older family member and so it was plausible she had no housing costs;
- There was nothing on her credit file to indicate she was struggling financially;
- Sustainable repayments on the new card were affordable based on Miss M's monthly disposable income

So, I find NewDay carried out reasonable checks and made a fair lending decision when it approved Miss M's application for a credit card.

Credit Limit Increase

NewDay carried out further checks of Miss M's credit file at the time of the credit limit increase and also considered how she'd managed her account to date. Those checks showed:

- Miss M's external unsecured debt had decreased;
- Her NewDay account was well-managed:
 - She regularly paid more than the minimum repayments;
 - Miss M had paid off the whole balance in the month prior to the limit increase;
- There continued to be no adverse information on her credit file.

So, there was nothing to indicate Miss M was in financial difficulties and I do not consider NewDay acted irresponsibly by increasing her credit limit.

In summary, I find NewDay made fair lending decisions and did not act unfairly or unreasonably in any other way.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 5 June 2024.

Amanda Williams
Ombudsman