

The complaint

Mr T complains that NewDay Ltd ('NewDay') irresponsibly gave him five credit card accounts that he couldn't afford.

What happened

In January 2020, Mr T applied for and was accepted for an Aqua Classic account with an initial credit limit of £450. There followed one credit limit increase.

In October 2020, Mr T applied for and was accepted for an Amazon Pulse account with an initial credit limit of £500. There then followed four credit limit increases.

In March 2021, Mr T applied for and was accepted for a Fluid Classic account with an initial credit limit of £1,500. There followed one credit limit increase.

Also in March 2021 Mr T applied for and was accepted for an AO Finance account with an initial credit limit of £700. There then followed two credit limit increases.

Finally, in January 2022 applied for and was accepted for a Fluid account with an initial credit limit of £1,500. There then followed two credit limit increases.

Mr T complained to NewDay to say that these accounts shouldn't have been opened for him because they were unaffordable. So NewDay ought to have made a better effort to understand his financial circumstances before first granting and then going on to increase his credit limits on each of these cards.

Our investigator didn't recommend the complaint be upheld. Mr T didn't agree. So, the complaint has been passed to me to decide.

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've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

NewDay will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr T's complaint is that NewDay made credit available to him that was unaffordable. NewDay has explained that for each account it carried out a credit check using a credit reference agency to determine the amount of credit it was able to offer.

I first need to consider whether, for any of the cards, NewDay failed to make reasonable and proportionate checks before it agreed to provide Mr T with credit – and similarly when it decided to increase his credit limits. And if it did fail in this respect I next need consider what such checks would have been likely to show.

So I've first considered the checks NewDay says it carried out for each of these cards. I've seen Mr T told NewDay about his own and his partner's income. NewDay would have checked Mr T's income, run a check with the credit reference agency and also looked at statistical information to get an idea of his likely monthly expenditure.

I've also kept in mind that from what I've seen, over the time that Mr T took out these five cards, his income and living situation did not change materially. Mr T told NewDay he was earning around £38,000 by way of annual income. He had a fair credit history, with a default in the sum of £4,400 which was around two and a half years old at the time he was applying for his Aqua card, being the first of the five cards. At that point he also owed around £25,000 in unsecured debt. By the time he applied for the fifth card – a Fluid account – NewDay's checks showed that his unsecured debt stood at just over £23,000. I've also seen that Mr T wasn't able to rely on his partner's income when he took out the last three cards.

As Mr T continued to take on new debt by way of additional cards, he was exposed to a greater level of potential debt from the opening credit limits and then the additional increases to the card limits that followed. So what might be a reasonable and proportionate check at one point might have been less likely to be so once Mr T had been exposed to a greater level of credit. His level of spending as a result could impact on his monthly repayments which could in turn lead to him becoming financially stretched and at risk of suffering a deterioration in his overall financial circumstances.

Mr T has told us about his employment and how the availability of accommodation as a part of his job had reduced his level of monthly outgoings. But he still had regular monthly expenditure and other credit responsibilities to meet.

I think against this background the opening checks for the Aqua Classic and Amazon Pulse accounts, opened in 2020, were likely to have been reasonable and proportionate. The first credit limit increase on the Amazon account in February 2021 took Mr T's combined credit limit to £1,950. This then went up to £2,650 a month later with the new opening limit on the AO account. I think these increases were likely to have appeared manageable, based on the way Mr T had been making use of and repaying his credit with NewDay so far.

By July 2021, when Mr T was given a second credit limit increase on his Amazon Pulse card, followed by a further limit increase to his Aqua Classic account later that month – taking his combined credit limit with NewDay to £6,400 - I think it would be reasonable for NewDay to have looked further into Mr T's financial circumstances. There then followed increases to his Fluid Classic account at the end of August 2021 and then a first credit limit increase on the AO Account in September. By the end of September 2021 Mr T would have had a combined credit limit with NewDay of £8,650. By then, I think it's fair to say that Mr T was managing each of the four accounts he had by this point without any significant issue. However, the step-up in credit limits, and consequent exposure to high levels of debt, is a potential concern that I think called for New Day to have taken steps to gain a better understanding of Mr T's overall financial situation.

It's not easy to definitively establish someone's what financial situation might have been retrospectively. But the opportunity to consider bank statements goes some way to help in this respect. Bearing in mind what Mr T told us about his employment situation, and based on his income, I'd expect to find disposable income available after paying essential household and credit costs. I agree with our investigator that Mr T's bank statements show that Mr T was able to fund his day-to-day living costs whilst also meeting his credit commitments. I've also seen that he was able to pay more than the minimum payments required on his NewDay cards on some occasions.

I therefore think it's likely that had NewDay carried out better checks, it would have seen that Mr T still had enough income available to meet his existing financial commitments whilst taking on the series of credit limit increases he was being granted across his accounts, plus the new Fluid account he was granted in January 2022.

To summarise, having looked carefully at all the available evidence and information, I don't consider there's enough to have shown that one or more of the five credit card agreements Mr T took on with NewDay were likely to have been unaffordable or that he'd be unable to repay them in a sustainable way. Even if it had carried out better checks, I can't reasonably conclude that NewDay ought to have thought that he might be at risk of getting into difficulty with making his repayments to these accounts.

I know that Mr T will be disappointed with my decision. I've taken on board everything he's said, including what he's said in response to our investigator's finding. Having done so, however, I have not found sufficient evidence to uphold this complaint. I am sorry to have to disappoint him on this occasion.

It follows that I'm therefore not persuaded that NewDay acted unfairly in approving each of these five accounts.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 31 May 2024.

Michael Goldberg
Ombudsman