

The complaint

Mr P says NewDay Ltd irresponsibly lent to him.

What happened

Mr P took out two credit cards from NewDay – one in March 2019 with a £300 limit and one in April 2019 with a £250 limit. Mr P says NewDay did not ask about his expenses. This debt has caused him stress and anxiety and NewDay has not helped him with a payment holiday. He had payday loans at the time and could not afford the cards.

NewDay says it carried out proportionate checks that showed the credit would be affordable.

Our investigator did not uphold Mr P's complaint. He said NewDay's checks were reasonable and it made fair lending decisions based on the information it had.

Mr P disagreed with this assessment and asked for an ombudsman's review. He said his housing and living costs were much higher than the figures NewDay used, and he can evidence this. He also had five or six payday loans at this time.

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 unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr P was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr P, how much he had to repay (including interest and charges) each month, his borrowing history and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time of Mr P's card applications; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown. I have also considered if NewDay acted unfairly towards Mr P in some other way.

When Mr P applied for both credit cards NewDay asked about his age, his gross annual income and employment status. It verified his income using current account turnover from one of the credit reference agencies. It used an internal model to estimate his housing and living costs. It carried out a credit check to understand his credit history and existing credit commitments. From these checks combined NewDay calculated Mr P had sufficient disposable income to mean the credit would be affordable.

I think these checks were proportionate given the modest credit limits involved and the initial results. And I think NewDay made fair lending decisions based on the information it

gathered. I'll explain why.

Card one

NewDay was able to verify a net income of £1,313 per month and after deducting housing, living and credit costs Mr P was left with £407.31. So it was reasonable to conclude he would be able to sustainably afford the repayment of a £300 limit. The credit check it completed showed Mr P needed to spend 13% of his income on credit repayments so he did not seem over indebted. And there was no adverse data on his file. It showed he had no payday loans at the time. So I think NewDay made a fair decision.

Card two

NewDay was able to verify a net income of £1,746 per month and after deducting housing, living and credit costs Mr P was left with £802.39. So it was reasonable to conclude he would be able to sustainably afford the repayment of a £250 limit. The credit check it completed showed Mr P needed to spend 17% of his income on credit repayments so he did not seem over indebted. And there was no adverse data on his file. Again it showed he had no payday loans at the time. So I think NewDay made a fair decision.

Mr P responded to the investigator's assessment saying that his rent was £850 and his bills were £250 so he did not have the available income NewDay calculated. But I don't think it would have been proportionate for NewDay to carry out the level of financial review needed (such as reviewing his bank statements) to know this. I say this because of the amount of credit involved and the results from its initial checks.

Mr P also said he had multiple payday loans when he applied but both credit checks showed he did not have any. And I can only fairly expect NewDay to respond to the information its checks provided. There can be a number of reasons a lender will not see the same information an applicant might be aware of, such as timing lags and not all lenders report to all credit reference agencies.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

It follows I have not found any error on NewDay's part. I would remind it of its obligation to treat Mr P fairly and with forbearance if he needs to arrange a payment plan for any outstanding balances.

My final decision

I am not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 October 2024.

Rebecca Connelley
Ombudsman