

## **The complaint**

Mr I complains NewDay Ltd, trading as BIP ("NewDay"), lent to him irresponsibly and is unhappy with the information recorded on his credit file.

## **What happened**

In May 2022, Mr I applied for a credit card with NewDay. He was provided with a limit of £900, and the credit limit was increased once to £1,600 in September 2022. The account ultimately went into collections, and later defaulted.

Mr I complained to NewDay in 2023 regarding the lending. They responded to his complaint in December 2023. They said having reviewed all the information available from the point of application, they're satisfied the account was provided correctly, in line with their responsible lending policies.

However, NewDay did uphold Mr I's complaint from the credit limit increase based on the information Mr I provided them with. They issued a refund of around £200 for the interest and charges on any balance above the initial £900 limit.

After this part of the complaint, Mr I remained unhappy with the default on his credit file. He said he's been financially and mentally affected by matters and thinks that the default should be taken off.

NewDay said they have a responsibility to report factual information, and once the debt has been repaid in full, Mr I can get in touch with them, and they'll remove any adverse information recorded.

Mr I's complaint was referred to our service in May 2024. An Investigator here looked into everything. They said they thought the checks were proportionate when considering the account opening, and the information NewDay obtained showed a credit limit of £900 was likely affordable for Mr I. They didn't go into detail regarding the credit limit increase as it was already resolved when the complaint came to our service, but he explained NewDay's approach to redress was in line with what our service would recommend.

Regarding the default, our Investigator reiterated what NewDay had said regarding the adverse information being removed once the balance has been repaid in full.

NewDay didn't dispute this position, but Mr I did, 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.

### *Account opening and the credit limit increase*

The rules and regulations in place at the time NewDay provided Mr I with the credit card and limit increase required them to carry out a reasonable and proportionate assessment of

whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means NewDay had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr I. In other words, it wasn't enough for NewDay to consider the likelihood of them getting the funds back or whether Mr I's circumstances met their lending criteria – they had to consider if Mr I could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether NewDay did what was needed before lending to Mr I. When Mr I applied for a NewDay card in May 2022, NewDay gathered information regarding his financial circumstances. It recorded that Mr I was earning a salary of around £34,000 per year and had outstanding debt of around £7,500. Mr I had five defaults totalling £1,600 at the time of application, and the most recent was recorded 24 months prior. This was collated using the information Mr I declared at application, and an external credit check.

I believe the checks NewDay carried out were proportionate, and considering the amount being provided to Mr I, and the information they gathered in these checks, I don't think they acted unfairly when providing Mr I with the credit card. I say this because it was for a relatively modest amount of £900, and although there were some signs of financial difficulty in the past, everything in recent months had been much improved. It wouldn't be a significant cost for Mr I to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

Much like the Investigator, I'm not going to go into great detail regarding the credit limit increase as NewDay have already upheld the complaint from this point and paid redress in line with this service's approach. Having had a cursory look at the information available, it appears Mr I's overall external credit balance had increased since the account opening, and he was making use of payday lending, so I'm pleased NewDay have decided this credit limit increase may not have been suitable for Mr I at the time.

### The recording of a default

I'll now move on to consider what Mr I has said about the default still being reflected on his credit file. I can appreciate why Mr I is unhappy about the information NewDay has reported to credit reference agencies and I understand why he is concerned at this. But after NewDay refunded the interest and charges that were applied on all balances above the £900 limit that was fair to provide, a balance remained owing to NewDay. Because NewDay have a duty to report accurate and up-to-date information to the credit reference agencies, I don't think it would've been fair, reasonable or proportionate for NewDay to ignore the outstanding balance that remains on Mr I's account.

Although recording a default or other adverse information might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the credit card debt – for example it stops interest and further charges being added. And asking NewDay to remove the default here and record that Mr I paid this debt when it was due when he didn't, would arguably be counterproductive and not in Mr I's interests or that of any future lender.

NewDay have said as soon as the balance has been repaid in full, they will remove all adverse information being reported which I think is fair in the circumstances.

In reaching my conclusions, I've also considered whether the lending relationship between NewDay and Mr I might have been unfair under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied that NewDay did not lend irresponsibly or act unfairly when providing Mr I with the opening credit limit. Turning to the credit limit increase, I think NewDay's approach to putting things right results in fair compensation for Mr I in the circumstances of his complaint. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome or additional award here.

So overall I'm satisfied that it wasn't unfair for NewDay to provide the credit card to Mr I, and I'm also satisfied they're reporting a default correctly.

### **My final decision**

It's my decision that NewDay Ltd trading as BIP ("NewDay") didn't lend irresponsibly to Mr I, and they've accurately recorded a default.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 16 April 2025.

Meg Raymond  
**Ombudsman**