

Complaint

Miss T has complained about a credit card NewDay Ltd (trading as “Dorothy Perkins”) provided to her. She says credit card was irresponsibly provided to her.

Background

Dorothy Perkins provided Miss T with a credit card with a limit of £500 in October 2019. Miss T’s credit limit was never increased.

One of our investigators reviewed what Miss T and Dorothy Perkins had told us. And he thought Dorothy Perkins hadn’t done anything wrong or treated Miss T unfairly. So he didn’t recommend that Miss T’s complaint be upheld.

Miss T disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss T’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss T’s complaint. I’ll explain why this is the case in a little more detail.

Dorothy Perkins needed to make sure it didn’t lend irresponsibly. In practice, what this means is Dorothy Perkins needed to carry out proportionate checks to be able to understand whether Miss T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Dorothy Perkins says it initially agreed to Miss T’s application after it obtained information on her income and expenditure and it carried out a credit search. And the information obtained indicated that Miss T would be able to make the low monthly repayments due for this credit card.

On the other hand Miss T says that she shouldn’t have been lent to.

I've considered what the parties have said.

What's important to note is that Miss T was provided with a revolving credit facility rather than a loan. This means that Dorothy Perkins was required to understand whether Miss T could repay £500 within a reasonable period of time, rather than all in one go. And a credit limit of £500 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

The first thing for me to say is that Dorothy Perkins has provided the output of Miss T's application. Miss T appears to have declared that she had an annual income of around £18,000.00. Dorothy Perkins appears to have cross checked this information against information on the amount of funds going into her main bank account each month and this suggested that her declaration was broadly accurate. The credit search appears to show that Miss T didn't have any significant adverse information recorded against her at the time either. For example, I can't see any defaulted accounts or county court judgments recorded.

I can also see that Dorothy Perkins specifically requested information on the number of payday loans Miss T took out in the lead up to this application and this returned a 0 result. Furthermore, Miss T's existing debt total at the time of the application was low in comparison to her validated income too. So all of this information did appear to indicate that Miss T would be able to make the payments required to repay £500 within a reasonable period of time.

I accept that Miss T's actual circumstances may not have been fully reflected either in the information she provided, or the information Dorothy Perkins obtained. But Dorothy Perkins was entitled to rely on the information that it was provided with in circumstances where that information was plausible and consistent. So, in these circumstances, I don't think that it was unreasonable for Dorothy Perkins to rely on what Miss T said about her income and what it had found out in relation to her expenditure, particularly in light of the low monthly repayments that would be required to repay £500 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Miss T was provided with her credit card were reasonable and proportionate and Dorothy Perkins didn't act unfairly when accepting her application.

For the sake of completeness, while Dorothy Perkins was not required to request the bank statements which Miss T provided in response to our investigator's assessment, in an effort to reassure Miss T and as she's gone to the trouble of obtaining them, I've nonetheless had a look through this information. Having done so, there isn't anything in these bank statements which leads me to think that Dorothy Perkins shouldn't have lent.

Indeed, the bank statements merely highlight the accuracy of what Dorothy Perkins had learned about Miss T and therefore reinforce the reasonableness of its checks. Most importantly of all, the bank statements appear to show that when Miss T committed and non-discretionary expenditure is deducted from her income, she had the funds to make the low payments required to this credit card. So while I'm satisfied that Dorothy Perkins wasn't required to request this information, I don't think it any event supports that Miss T shouldn't have been provided with her credit card.

In reaching my conclusions, I've also considered whether the lending relationship between Dorothy Perkins and Miss T might have been unfair to Miss T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Dorothy Perkins irresponsibly lent to Miss T or otherwise treated her unfairly in relation to this matter. And I haven't seen anything

to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I can understand Miss T's sentiments, I don't think that Dorothy Perkins treated Miss T unfairly or unreasonably when providing her with her credit card and I'm not upholding the complaint. I appreciate this will be Dorothy Perkins disappointing for Miss T. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 2 December 2024.

Jeshen Narayanan
Ombudsman