

The complaint

Mrs M complains that NewDay Ltd (NDay) lent to her irresponsibly.

What happened

In October 2019, Mrs M applied for a credit card from NDay. It was agreed with a limit of £300. After that, NDay increased her limit as shown:

Date	Limit
October 2019 – new account	£300
February 2020	£1,050
July 2020	£2,050
December 2020	£3,300

The account was terminated in June 2023 and passed to a debt collection agency (DCA) to manage.

Mrs M complained. She said NDay couldn't have carried out sufficient checks as she had a lot of other debts and couldn't afford NDay's card. He said she missed payments, and when she did pay it was only the minimum amount. She says NDay should refund all the interest and fees she's paid, plus interest of 8% per annum on the refunds.

NDay didn't uphold her complaint. The firm said:

- They carried out all the necessary credit checks.
- Mrs M said her income was £16,000 per annum and had other debts of £2,600 – when she applied for the card.
- NDay could see she had five defaults for £2,900, with the last one being 16 months before.
- No accounts were in arrears.
- So, the new account was opened with a limit of £300.
- At the time of each increase offered, Mrs M could have opted out, but didn't.
- And the firm checked her situation each time and found out she could afford the new borrowing. This included checks of how she managed her NDay account, and her debts and borrowing with other lenders.

- Mrs M contacted NDay in January 2023 to say she had financial problems and then missed payments – her account was passed to a DCA in June 2023.

Mrs M didn't agree with this and brought her complaint to our service. Our investigator didn't uphold it and said:

- NDay carried out the necessary checks for the issue of the new card and then for the first limit increase to £1,050 in February 2020.
- But, when increasing the limit to £2,050 in July 2020, NDay should have done more checks – because it was a large increase.
- She looked at Mrs M's bank statements and was satisfied these showed she could afford the new card. They showed she had 'disposable income' of £1,331 each month. So, even if NDay had done the same, they would've issued the card.
- She looked at Mrs M's bank statements at the time of the next increase and worked out that she then had disposable income of £2,188 each month. So, even if NDay had done the same, they would've issued the card.
- Therefore she didn't uphold Mrs M's complaint.

Mrs M didn't agree and asked that an ombudsman look at her complaint. She argued that a family relative was staying with her from December 2020 she was getting some income from him – so the figures our investigator worked out weren't a fair reflection of her circumstances.

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.

All lenders have an obligation to lend money responsibly. We have to check whether NDay acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I looked at the checks NDay made with this guidance in mind.

Issue of new credit card – October 2019 (£300):

Mrs M said she earned £16,000 per annum – £1,157 net per month. She had total outgoings of £939, so she had 'disposable income' of the difference - £204. NDay could see she had five defaults against her, but the most recent one was 16 months before, and so issued the card. From Mrs M's credit records NDay could see she had other debts of around £1,700 – which wasn't very much. And her other credit agreements were paid up to date.

Given that the limit was a modest one here, I think NDay did the appropriate checks and made a reasonable decision to issue the card.

Increased limits – February 2020 (£1,050):

I looked at what NDay checked at this time. The firm checked Mrs M's 'disposable income' – that is, how much she had left over each month to pay the NDay credit card. NDay did this by looking at Mrs M's credit records held at credit reference agencies – this included her bank account and other loans/ credit cards. NDay worked out she had disposable income of £843 each month. And she had paid her NDay credit card on time and also had paid her other debts on time. She had other debts of around £2,000 – so this wasn't much of an increase from when the card was issued. There were no new defaults.

So, I can see that NDay carried out the necessary and proportionate checks and reached a reasonable decision to increase Mrs M's limit.

Increased limit – July 2020 (£2,050):

I again looked at what NDay checked at this time. The firm again checked Mrs M's 'disposable income' by looking at her credit records held at credit reference agencies. NDay worked out she had disposable income of £1,093 each month. And she had paid her NDay credit card on time, had paid her other credit agreements on time. She had other debts of around £3,000 – so this wasn't much of an increase from when the card was issued, or when compared to the last limit increase. There were no new defaults.

So, I can see that NDay carried out the necessary and proportionate checks and reached a reasonable decision to increase Mrs M's limit.

Here, I differ from what our investigator said – where a firm carries out the necessary checks and are happy to increase a lending facility (as was the case here), then a firm doesn't have to ask further questions or ask for bank statements – and that was the case here. So I don't agree that NDay had to ask more questions of Mrs M at this stage.

Increased limit – December 2020 (£3,300):

I again looked at what NDay checked at this time. The firm checked Mrs M's 'disposable income' and worked out this was £1,775 each month. And she had paid her NDay credit card on time and had paid her other credit agreements on time. She had other debts of around £3,500 – so this wasn't much of an increase from when the card was issued, or when compared to the last limit increase. There were no new defaults.

And so, given what NDay worked out and checked, I don't think they needed to ask to see bank statements or ask or questions of Mrs M.

As NDay's calculation of Mrs M's disposable income had gone up so much, I considered what Mrs M told us – that she had extra income from her relative who was staying with her. It's likely that this was the reason the amount of spare income went up.

But I don't think this was a reason for NDay to ask questions of Mrs M. For example, she could've simply had a pay rise and NDay weren't to know. If the figure had gone down by a significant amount, then we would've expected NDay to ask why that was – but as the movement was 'favourable', they didn't have to ask anymore.

So, I can see that NDay carried out the necessary and proportionate checks and reached the right decision to increase Mrs M's limit.

I considered what Mrs M said about her overall debts – but I can see that they were manageable at the time of NDay's lending. I looked at what later happened – and it's clear that Mrs M ran into difficulties later, after the NDay lending was agreed.

By when the account was terminated and passed to a DCA (in June 2023), Mrs M's other debts had gone up a lot – to about £10,000, and she had a new default against her in June/July 2021 – well after NDay lent their money to her. And she had missed payments to NDay. So, it appears that Mrs M's circumstances got worse later on. But here, I can only look at what NDay could see and checked at the time they increased Mrs M's limits – I can't expect them to know what was going to happen in the future.

So, having looked at Mrs M's complaint, I'm satisfied that NDay carried out the necessary and proportionate checks and made fair and reasonable decisions to lend the money to her.

And so, I am not asking NDay to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 3 December 2024.

Martin Lord
Ombudsman