

The complaint

Miss H complains that NewDay Ltd (NewDay) lent to her irresponsibly.

What happened

Over a period, Miss H had two credit cards issued by NewDay and the limits were increased as shown:

Aqua card:

Limit increase No.	Date	Limit
	December 2017 – new card	£900
1	May 2018	£1,900
2	September 2018	£2,650
3	January 2019	£3,650
4	March 2020	£5,150
5	April 2024	£6,150

Fluid card:

Date	Limit
September 2022 – new card	£900
March 2024	£1,850

Miss H complained. She said NewDay lent to her irresponsibly. She said they didn't carry out the necessary checks, nor checked her income. She was in debt to other lenders and entered a voluntary 'paydown' plan with NewDay in April 2022. Because of the lending given to her, she got into financial difficulty and paid a lot of interest and fees. She missed payments and her credit file has been marked – this is having an effect on her life and is causing her a lot of worry.

NewDay couldn't provide a copy of their final response but said to us that they'd carried out the necessary checks at each stage. They said that their checks showed Miss H had sufficient spare income to pay the card debts with the firm.

Miss H brought her complaint to us. During our investigation, NewDay accepted that the limit increases on both cards in March 2024 and April 2024 were possibly irresponsible and offered to refund interest from those dates and amend Miss H's credit file from the same time. Miss H rejected the offer.

Our investigator then upheld Miss H's complaint. She said NewDay shouldn't have increased the limit on the Aqua card in September 2018 (to £2,650). This was because:

- The previous limit increase was only a few months earlier.
- External debts were £13,700.
- Miss H used the card to make three cash withdrawals totalling £430 in July 2018 – this was a sign of her not being able to manage her debts.
- The balance was close to the credit limit at the time and utilisation was 96%.
- If NewDay had looked at Miss H's bank statements (as they should have) they would've seen she had an overdraft of up to around £900.

She said NewDay should refund interest and fees on balances over £1,900 from September 2018 and amend her credit file if the refunds led to the borrowing being repaid.

She further said the Fluid card shouldn't have been issued. By this time, NewDay could see Miss H was paying £1,444 per month to lenders and had external debts of £58,700. This far exceeded her income. And at the same time, her Aqua card was subject to a paydown agreement – so it didn't make sense to give her another card.

So she said all fees and interest on the Fluid card should be refunded and Miss H's credit file amended if the refunds resulted in the debt being paid off.

Miss H accepted this. NewDay said they would make some comments, but nothing was received and so in line with our process, the complaint has come to me to look at – as this means both parties haven't agreed.

I reached a provisional decision which upheld Miss H's complaint. It said:

All lenders have an obligation to lend money responsibly. We have to check whether NewDay 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 that NewDay carried out and what they saw of Miss H's circumstances. This shows:

Aqua card:

When Miss H applied for the Aqua card, she declared income of £24,000 per annum. Her net salary was £1,517 monthly. Her total outgoings, including living costs, were £1,288 – leaving £212 as disposable income and this was enough to make the payments to the new credit card. She had total debts of around £13,000.

So, I agree NewDay did enough checks and were justified in issuing the card.

Limit increases – May 2018 and September 2018:

I looked at the first and second limit increases – and can see that NewDay could see little change in Miss H's situation. Her salary was unchanged, and her other debts remained at a similar level - £13,000. She was making all the necessary payments to the Aqua card – there were no late payments or over limit situations. So I think Aqua were justified in agreeing to the limit increases up to that point – and so here, I disagree with our investigator. I don't think that of themselves, the cash withdrawals were significant or showed a possible problem.

Third limit increase: January 2019 - £3,650.

I can see that by this time, Miss H's external debts increased to over £17,000 – a large increase in the previous four months. NewDay worked out her income was £3,426 per month. This was a large increase – although it's not clear where this information came from – and Miss H told us she was off work and for a period and received only maternity benefits (which I can see from her bank statements).

And so, (while Miss H was still making the monthly payments to NewDay) – this information should've caused NewDay to look further into her situation before lending more money. Miss H showed us her bank statements and these show she was not earning what NewDay thought she was – her salary was shown as about £1,200 per month. And when she was on benefits, income was around £1,000. So, debts of over £17,000 were a lot when compared to her income, and NewDay should've reasonably seen this and not lent the extra money at this time.

Fourth and Fifth limit increases April 2020 and April 2024:

I won't go into these in detail – as it's clear that Miss H's situation hadn't improved. Her income stayed about the same – and her other debts in April 2020 were £19,000 and increased to over £50,000 by April 2024. So, NewDay should've seen this and not continued to increase her limits.

Fluid Card:

I can see that Miss H had other debts of over £50,000 when this card was issued and the monthly payments to lenders totalled £1,444. It follows that if NewDay had asked more questions of Miss H and carried out more checks, they wouldn't have issued the card or increased the limit.

It also relevant to note that Miss H entered a voluntary 'paydown plan' on her Aqua card in April 2022 – and it's reasonable that NewDay should've seen this when it looked at her application for another card from the same firm.

So I intend to uphold this complaint. And propose that NewDay put things right for Miss H as follows:

Aqua card:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £2,650 after 14 January 2019.
- If the rework results in a credit balance, this should be refunded to Miss H along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- If the refunds result in the debt being repaid, NewDay Ltd should also remove all adverse information recorded after 14 January 2019 regarding this account from Miss H's credit file.

Fluid card:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances since the card was issued.
- If the rework results in a credit balance, this should be refunded to Miss H along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- If the refunds result in the debt being repaid, NewDay Ltd should also remove all adverse information recorded regarding this account from Miss H's credit file.

Distress and inconvenience: it's clear that this lending shouldn't have been given in large part. This has resulted in a lot of upset for Miss H, who found herself in a spiral of debt and financial difficulty. It is only reasonable that NewDay pay some compensation for this - and I think £200 is fair.

Responses to the provisional decision:

NewDay made no comments. Miss H called to query how the refunds would be worked out but had no more to add.

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.

Because both NewDay and Miss H made no substantive comments, my final decision is unchanged from the provisional decision. And so, NewDay must do what the provisional decision said.

My final decision

I uphold this complaint. NewDay Ltd must:

Aqua card:

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- If the refunds result in the debt being repaid, NewDay Ltd should also remove all adverse information recorded regarding this account from Miss H's credit file.

Distress and inconvenience: pay £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 4 December 2024.

Martin Lord
Ombudsman