

The complaint

Mr J complains that NewDay Ltd trading as Pulse irresponsibly lent to him.

Mr J is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr J himself.

What happened

Mr J was approved for a Pulse credit card in February 2021 with a credit limit of £500. The credit limit was increased to £1,000 in August 2021. Mr J says that Pulse irresponsibly lent to him. Mr J made a complaint to Pulse, who did not uphold his complaint. Mr J brought his complaint to our service.

Our investigator did not uphold Mr J's complaint. He said Pulse should have made further checks, but as Mr J hadn't provided bank statements showing his main source of income, he couldn't say what the checks would show. He said Mr J's unsecured debt had decreased between the initial lending decision and the credit limit increase. Mr J asked for an ombudsman to review his complaint.

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.

Before agreeing to approve or increase the credit available to Mr J, Pulse needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Pulse have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Pulse credit card - initial credit limit (£500)

I've looked at what checks Pulse said they did when initially approving Mr J's application for the credit card. I'll address the further lending decision later on. Pulse said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr J had provided before approving his application. The information showed that Mr J had declared a gross annual income of £40,000.

None of his nine accounts were in arrears, and the CRA did not report any defaulted accounts on Mr J's credit file, or any County Court Judgements.

But the data showed that Mr J had £29,200 of unsecured debt, which was 73% of his gross annual income. So as Mr J had relatively high borrowings compared to his declared income,

then I'm persuaded Pulse should have made further checks to ensure Mr J had the affordability to sustainably make repayments on the Pulse credit card.

There's no set way of how Pulse should have made further proportionate checks. One of the things they could have done was to contact Mr J to ensure he had enough disposable income to make his repayments. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr J provided some of his bank statements. These statements showed Mr J was paying for unsecured debt, and other direct debits. His account wasn't overdrawn for any of the three month period, and there were no returned direct debits. But the account was mainly being funded by transfers from another account.

So I asked Mr J if he could provide his other bank statements leading up to the acceptance of the account, as part of a proportionate check that NewDay could have taken based on what their data showed. But Mr J did not provide these statements by the deadline given, even though I extended the deadline for him.

So on the face of it, it does look like Pulse should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Pulse should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr J hasn't provided me with his other bank statements, that means that it wouldn't be fair for me to say that Pulse shouldn't have lent here, because I don't know what further checks would reveal.

August 2021 credit limit increase - £500 to £1,000

I've looked at what checks Pulse said they did when increasing the credit limit on his account. Mr J was late with one of his repayments since his account had been opened, which could be a sign of financial difficulty. But alternatively, this could have been a genuine oversight from Mr J.

I'm persuaded that this appeared to be an oversight from Mr J. I say this because Mr J had managed to make repayments in every other month he was required to prior to the credit limit increase, and in the following statement period he repaid £179.96 which was substantially higher than his minimum repayment. Mr J didn't utilise the majority of the credit on the account, which could suggest he wasn't reliant on the credit available.

The data from a CRA shows that Mr J had unsecured borrowings which were lower than when the account was approved. So this could suggest that Mr J was able to repay not just the interest on his debt, but some of the capital also. So it would appear he had enough disposable income to be able to sustainably afford repayments for the new £1,000 credit limit.

So I'm persuaded that the checks which Pulse carried out prior to the £1,000 credit limit were proportionate, and that Pulse made a fair lending decision to approve the credit limit to £1,000.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Pulse lent irresponsibly to Mr J 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. So it follows I don't require Pulse to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 14 February 2025.

Gregory Sloanes
Ombudsman