

The complaint

Ms S complains that NewDay Ltd irresponsibly lent to her.

What happened

Ms S was approved for an NewDay credit card (which I will refer to as A in this decision), in October 2019 with a credit limit of £1,200. I have detailed the credit limit changes below:

July 2023	£1,200 to £1,500
November 2023	£1,500 to £3,000
March 2024	£3,000 to £3,750

Ms S was approved for another NewDay credit card (which I will refer to as B in this decision), in February 2022 with a credit limit of £1,200. The credit limit was increased to £2,450 in August 2022, and the credit limit was further increased to £3,450 in November 2023.

Ms S says that NewDay irresponsibly lent to her. Ms S made a complaint to NewDay, who did not uphold her complaint. Ms S brought her complaint to our service.

Our investigator said NewDay made proportionate checks for the acceptance of A, but their checks weren't proportionate for the subsequent lending decisions. She said she asked Ms S for a number of bank statements to see what proportionate checks would show, however, Ms S did not provide all of the information asked for, therefore she couldn't conclude the lending was irresponsible. Ms S asked for an ombudsman to review her 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 Ms S, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 NewDay have done in date order, and whether I'm persuaded these checks were proportionate.

Acceptance for A - initial credit limit (£1,200)

I've looked at what checks NewDay said they did when initially approving Ms S' application for A. I'll address the other lending decisions later on. Ms S declared a gross annual income of £29,000. The data showed that Ms S had defaulted on at least one credit agreement previously, with the last default showing as 31 months prior to her application. The data also showed she had a public record showing on her credit file, which could be a County Court Judgement (CCJ).

It may help to explain here that, while information like a default or CCJ's on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made to see if they made a fair lending decision.

There does appear to be inconsistent information in the data NewDay have provided our service. I say this because the checks show Ms S was spending £1,731.16 a month on her credit commitments. But this would have been around her entire net monthly income based on annual income she declared of £29,000.

The data showed Ms S had a debt to income ratio of 1.57%. So as Ms S declared a gross annual income of £29,000, this would have equated to unsecured debt of around £455.30. So it wouldn't appear that Ms S would be spending £1,731.16 a month if her unsecured debt was only £455.30. I asked NewDay to clarify this for me, but they didn't respond by the deadline set, even though I extended this for them. So without an explanation, I'm persuaded that NewDay should have carried out further checks to ensure Ms S had the affordability to sustain repayments for a £1,200 credit limit.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Ms S to get an understanding of why her credit commitments were so high compared to a relatively low amount of unsecured debt. Or they could have asked for her credit file as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Ms S has provided her credit file. This shows Ms S had three active accounts at the time which had a credit limit. Although the credit file doesn't show the balances or credit limits at the time NewDay opened her account, I've considered the current credit limits, and it's highly likely that Ms S would not be spending £1,731.16 a month on these repayments. I say this as the accounts show current credit limits as £250, £4,000 and £2,000. So even if Ms S was close to her credit limits (which there's no evidence to suggest she was), then she could make sustainable repayments to these accounts for a lot less than the £1,731.16 a month figure.

The checks showed that Ms S had no arrears on her active accounts, and she hadn't had any arrears on these for the six months prior to NewDay's checks. She had no payday loans at the time the checks were completed. So while I'm not persuaded that NewDay's checks were proportionate, I'm persuaded that they made a fair lending decision to approve her application for A, and to provide a £1,200 credit limit.

Acceptance for B - initial credit limit (£1,200)

I've looked at what checks NewDay said they did when initially approving Ms S' application for B. Ms S declared a gross annual income of £21,000. The data showed that Ms S had defaulted on at least one credit agreement previously, with the last default showing as 18 months prior to her application. The data also showed she had a public record showing on her credit file, which could be a CCJ.

As I explained before, it may help to explain here that, while information like a default or CCJ's on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made to see if they made a fair lending decision.

There does appear to be inconsistent information in the data NewDay provided to our service. I say this because the checks show Ms S was spending £1,277.04 a month on her

credit commitments. But this would have been a lot of her net monthly income based on the annual income she declared of £21,000.

The data showed Ms S had a debt to income ratio of 4.61%. So as Ms S declared a gross annual income of £21,000, this would have equated to unsecured debt of around £968.10. So it wouldn't appear that Ms S would be spending £1,277.04 a month if her unsecured debt was only £968.10. So I'm persuaded that NewDay should have carried out further checks to ensure Ms S had the affordability to sustain repayments for a £1,200 credit limit.

NewDay already had access to the CRA information for A at the time. So I'm persuaded that it would have been proportionate for them to use this information. I've looked at the information they captured from the CRA on A from January 2022, just prior to the acceptance of this account.

Ms S had unsecured debt of £11,199, and it shows the last public record was 11 months prior to this date. But they would have also been able to see that Ms S had made repayments of £450 and £300 in the months just before B was approved, which were a lot higher than her minimum repayments.

As Ms S' unsecured debt was £11,199 then the £1,277.04 figure that NewDay's figures showed for her monthly credit commitments does appear to be an error. But I do think NewDay should have made further checks as part of this lending decision, and I'll explain why.

NewDay's checks showed that Ms S had been in arrears on an account within the last six months of their checks. While this could have been an oversight as Ms S wasn't in arrears on her active accounts at the time the checks were completed, I'm persuaded that the combination of the increased unsecured debt, the relatively recent public record, and the recent arrears should have resulted in further checks being made.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Ms S to get an understanding of the aforementioned issues. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

I asked Ms S if she could provide her bank statements leading up to this lending decision. But unfortunately she has been unable to obtain her bank statements for this timeframe.

So on the face of it, it does look like NewDay 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 NewDay 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 Ms M has been unable to provide our service with the information I asked her for, albeit through no fault of her own, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

August 2022 credit limit increase on B - £1,200 to £2,450

I've looked at what checks NewDay made as part of this lending decision. The CRA reported that Ms S' unsecured debt was at £3,533 just prior to the credit limit increase. NewDay used Current Account Turnover (CATO) data to verify that Ms S had around £1,964 a month crediting her current account. So her debt would have been around 15% of her annual net income (based on the CATO figures). They also used modelling, and information from the CRA to assess Ms S' outgoings, and they concluded that Ms S would be able to sustainably afford repayments for an increased credit limit to £2,450.

The CRA's didn't show any arrears on any active accounts since B had been opened. NewDay would have also been able to see how Ms S had managed this account since it was opened. Ms S hadn't incurred any late payment fees or overlimit fees since the account had been opened.

Ms S' repayments to the account in her last two of the three months prior to the credit limit increase totalled £620 in one month and £300 in the other month. These were a lot higher than her minimum repayments required. In both of these months, Ms S was not reusing all of the credit she had repaid.

So it didn't appear that Ms S was having financial difficulties just prior to this credit limit increase. I say this as I wouldn't expect her to be able to make higher repayments to the account and not re-use the credit if she was reliant on the credit to meet her outgoings. And combining this with no recent arrears on her active accounts, then it would appear that NewDay's checks were proportionate here, and I'm persuaded that they made a fair decision to increase the credit limit.

July 2023 credit limit increase on A - £1,200 to £1,500

I've looked at what checks NewDay made as part of this lending decision. This credit limit increase was nearly four years after A was opened, so I'm not persuaded it would have been proportionate to use the same information that they had as part of the account opening checks.

The CRA reported that Ms S' unsecured debt was at £8,781 just prior to the credit limit increase. NewDay used CATO to verify that Ms S had around £2,379 a month crediting her current account. So her debt would have been around just under a third of her annual net income (based on the CATO figures). They also used modelling, and information from the CRA to assess Ms S' outgoings, and they concluded that Ms S would be able to sustainably afford repayments for an increased credit limit to £1,500.

It does appear that Ms S had financial difficulties since the account opening checks as the CRA's showed she had defaulted on a credit agreement in 2020. And she had a CCJ in early 2021. But the CRA's didn't show any arrears on any active account in the six months prior to this lending decision.

NewDay would have also been able to see how Ms S had managed this account since it was opened. Ms S hadn't incurred any late payment fees or overlimit fees since the account had been opened nearly four years earlier. And she wasn't reliant on cash withdrawals from the credit card.

Ms S' repayments to the account in her last two months prior to the credit limit increase totalled £94.20 in one month and £237.90 in the other month. These were a lot higher than her minimum repayments required to the account. In both of these months the payments were paid Ms S was not reusing all of the credit she had paid off.

So it didn't appear that Ms S was having financial difficulties just prior to this credit limit increase. I say this as I wouldn't expect her to be able to make higher repayments to the account and not re-use the credit if she was reliant on the credit to meet her outgoings. And combining this with no recent arrears on her active accounts, then it would appear that NewDay's checks were proportionate here, and I'm persuaded that they made a fair decision to increase the credit limit to £1,500.

November 2023 credit limit increase on A - £1,500 to £3,000

I've looked at what checks NewDay made prior to this lending decision. Despite the last increase to her credit limit, Ms S' unsecured debt had slightly fallen to £8,732 prior to this lending decision.

Ms S did incur one overlimit fee not long after the previous lending decision, which could be a sign of financial difficulty. But it appears that this was an oversight here. I say this because Ms S had no other overlimit or late fees prior to this credit limit increase, and in the month she incurred the fee she also made repayments of £552.54, which I wouldn't expect her to be able to make this repayment if she was struggling financially at the time.

In the three months prior to the credit limit being increased, Ms S made total monthly repayments of £250.73, £100 and £552.54, which may demonstrate she could sustainably afford repayments for a higher credit limit as she was recently paying a lot higher amounts than what her minimum repayment was.

None of Ms S' active accounts were in arrears since the last lending decision. NewDay also used CATO for Ms S' income and modelling for Ms S expenditure which suggested that Ms S would be able to sustainably make repayments for the increased credit limit.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve the credit limit increase.

November 2023 credit limit increase on B - £2,450 to £3,450

This credit limit was increased on the same day as the credit limit increase for A documented in the previous section of this decision. Ms S' unsecured debt was around £8,732 prior to this lending decision.

Ms S did incur two overlimit fees between the last lending decision on B and this lending decision, which could be a sign of financial difficulty. But it appears these were an oversight here. I say this because in the month after Ms S incurred the first overlimit fee, she made total repayments to the account for £350. In the month after Ms S incurred the last overlimit fee she made total repayments to the account for £878.83. So I wouldn't expect her to be able to make these repayments if she was struggling financially at the time.

In the two months prior to this credit limit being increased, Ms S made total monthly repayments of £600 and £878.83, which were a lot higher than what her minimum repayments were.

None of Ms S' active accounts were in arrears since the last lending decision. NewDay also used CATO for Ms S' income and modelling for Ms S expenditure which suggested that Ms S would be able to sustainably make repayments for the increased credit limit.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve the credit limit increase here.

March 2024 credit limit increase on A - £3,000 to £3,750

I've looked at what checks NewDay made prior to this lending decision. Despite the last increase to her credit limit, Ms S' unsecured debt had slightly fallen to £7,027 prior to this lending decision.

Ms S incurred no overlimit or late fees on A since the last lending decision on A. None of Ms S' active accounts had been in arrears since the last lending decision on A. Ms S was

making substantially higher repayments to A than what her minimum repayments would be. NewDay also used CATO for Ms S' income and modelling for Ms S expenditure which suggested that Ms S would be able to sustainably make repayments for the increased credit limit.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve the credit limit increase.

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 NewDay lent irresponsibly to Ms S or otherwise treated her 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 NewDay 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 Ms S to accept or reject my decision before 19 March 2025.

Gregory Sloanes
Ombudsman