

The complaint

Miss G, represented by a third party, complains that NewDay Ltd was irresponsible in its lending to her.

What happened

In February 2022 NewDay provided Miss G with a credit card with an initial limit of £1,200. The limit was increased to £1,500 in December 2023. Miss G says that the lending was unaffordable and was irresponsibly provided to her by NewDay.

Miss G's complaint was considered by one of our investigators who came to the view that NewDay had made a fair lending decision in February 2022, but it hadn't made a fair lending decision in December 2023 (when the limit was increased to £1,500).

Miss G accepted the investigator's view but NewDay didn't respond to it. And because of the latter Miss G's complaint was passed to me for review and decision.

In early December 2024 I issued a provisional decision on this case. In summary I said:

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

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I've followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it offered to Miss G was affordable and sustainable. Such checks need to be proportionate to things like the credit limits it offered Miss G, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her wider circumstances. But there is no set list of checks it had to do.

Miss G accepted the investigator's view that NewDay's lending decision in February 2022 was fair. So in this decision I've restricted my review to NewDay's lending decision to increase the limit to £1,500 in December 2023.

The investigator came to the view that in respect of the December 2023 limit increase NewDay failed to undertake proportionate checks and had it done so it, as a responsible lender, would have made a different decision than it did and not offered Miss G a limit increase.

In coming to the above view the investigator concluded that proportionate checks by NewDay would have led it to conclude that Miss G's non-discretionary expenditure exceeded her income by approximately £275 a month making a limit increase unaffordable for her.

But this calculation doesn't take into account a monthly credit (from a third party) for Miss G's benefit of between £1,400 and £2,170 and I think it should do. So in my view further checks by NewDay would have led it to conclude that Miss G's income exceeded her non-discretionary expenditure by approximately £1,625 a month making a £300 limit increase affordable for her.

But notwithstanding what I say above I'm satisfied that the checks undertaken by NewDay prior to granting the December 2023 limit increase were, in all the circumstances, proportionate. I say this for the following reasons.

- £300 represents a fairly modest 25% increase on the previous limit of £1,200
- at 5% a fully utilised credit limit increase of £300 would have required additional monthly payments from Miss G of a very modest £15
- this was the first limit increase on the account
- this limit increase was granted after Miss G had held the account for nearly 2 years
- prior to the limit increase Miss G had made all the monthly payments required of her and on time and had taken no cash advances
- Miss G had never exceeded the account limit
- Miss G had no adverse information recorded with credit reference agencies such as, but not restricted to, county court judgements, defaults and arrears

So in summary, and I appreciate Miss G will be disappointed, taking everything into account I'm satisfied that NewDay's lending decision in December 2023 was fair.

In reaching this conclusion I've also considered whether the lending relationship between NewDay and Miss G might have been unfair to Miss G under section 140A of the Consumer Credit Act 1974 ("CCA").

But 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.

For the sake of completeness I would add that I've seen nothing that would lead me to conclude that NewDay handled Miss G's complaint poorly or that it took too long to consider it and to issue a final response on it.

Neither party responded to my provisional findings by the date I gave for responses to be received by our service.

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.

As neither party responded to my provisional findings by the date I gave for responses to be received by our service I can confirm that I see no reason to depart from those findings and I now confirm them as final.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 17 January 2025.

Peter Cook
Ombudsman