The complaint

Mr R complains that NewDay Ltd, trading as Pulse, was irresponsible in lending him a credit card account and in increasing the credit limit.

What happened

In January 2021 Pulse opened a credit card account for Mr R with a credit limit of £500. It then increased the credit limit as follows:

Date	Credit limit
January 2021	£700
April 2021	£1,700
August 2021	£2,950
December 2021	£4,000
February 2023	£5,000

In March 2024, through a claims management company, Mr R made a complaint. He said that Pulse shouldn't have lent to him because the credit was unaffordable, and interest should have been stopped at some point.

Pulse said it had lent responsibly and it had done nothing wrong. Mr R referred his complaint to us. Our Investigator considered what checks Pulse had done to assure itself that Mr R would be able to afford the credit it made available to him. He concluded that it had carried out proportionate checks and its decisions to lend had been fair, so he didn't recommend that the complaint should be upheld.

Mr R didn't accept that conclusion and asked for an Ombudsman's review.

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.

Having done so, while I realise this isn't the outcome Mr R was hoping for, I've come to the same overall conclusion as our Investigator, for broadly the same reasons.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Mr R's complaint. Pulse had a duty to make sure that it didn't lend irresponsibly. In practice, this means that it had to carry out proportionate checks before lending in order to understand whether Mr R could afford to repay any credit it provided to him. But there was no set list of checks it had to do.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that responsible lending didn't become irresponsible later.

Mr R applied for his credit card with Pulse in January 2021 and Pulse provided him with a credit card with an initial credit limit of £500. Pulse says that it agreed to his application and decided on the credit limit on the basis of the income and other information Mr R provided in the application, alongside other information available to it, including from credit reference agencies. It says it carried out a similar assessment each time it increased the card credit limit. And it says the information it obtained indicated that Mr R would be able to make the monthly repayments due for this credit card.

Pulse lent Mr R a revolving credit facility rather than a loan. This means that it was required to understand whether the credit limit it provided could be repaid within a reasonable period, rather than over a defined term or all in one go. It's fair to say that debt within a credit limit of £500 required low monthly payments in order to clear the full amount owed within a reasonable period of time, but much higher monthly payments would be required for a debt of £5,000.

I've looked carefully at the records Pulse has provided of Mr R's application and of the credit checks it completed each time it increased the credit limit. They show that Mr R said on his application that his gross annual income was £40,000 and his net monthly income was just over £2,200. His credit file showed he had no defaults in the preceding five years, and he had no payment arrangements on his existing credit commitments and no payday loans.

As our Investigator identified, an individual voluntary arrangement (IVA) was noted on Mr R's application records – but Mr R has since told us that he has never in fact had an IVA. So I think that had Pulse made further enquiries about this it would have found no IVA and therefore no reason to reach a different lending decision. I don't think there was any other information that was inconsistent or difficult to explain, so I don't think that it was unreasonable for Pulse to rely on the information Mr R provided about his income during his application and the information it obtained from his credit file. The available information suggested that Mr R could repay a balance of £500 within a reasonable period of time. In the circumstances, I'm satisfied that the checks Pulse carried out before it provided Mr R with his credit card were reasonable and proportionate, and I don't consider that it irresponsibly lent him the card.

Pulse increased the credit limit on Mr R's account five times between January 2021 and February 2023. Its records show that it obtained information from credit reference agencies before each credit limit increase, and it has provided us with extracts of that information. They show information about Mr R's debt with other lenders and how he was managing it, as well as information about his current account turnover and a resulting estimate of his disposable income. Pulse also took into account how Mr R had been running his credit card account with it before it increased the limit.

Having carefully considered all of this, I consider that Pulse carried out proportionate and reasonable checks before each credit limit increase in 2021. I don't think there was anything that should reasonably have given it cause for concern about increasing the credit limit. Mr R had been managing his accounts well, and his overall level of outstanding unsecured debt had generally been reducing.

By the time of the final credit limit increase in February 2023, however, I think there were some signs from the credit check Pulse completed that Mr R's financial position was worsening. While he appeared still to be managing his existing credit commitments well in terms of maintaining regular payments, his overall borrowing had increased sharply the preceding month and the percentage of revolving credit he was using had increased from around 30% to around 80%. I think it would have been proportionate for Pulse to have made some further enquiries about this before increasing Mr R's credit limit.

Mr R hasn't told us about any change in his circumstances at this time, for example, which meant he needed to borrow more money. He has said that he was using a lot of his income for gambling for the whole time he has had the Pulse account. But I find nothing to indicate that Pulse knew about that, or that it should reasonably have known. Mr R has also said that he was withdrawing cash from the Pulse credit card, and that should have been a warning sign to Pulse that he was struggling financially. Pulse's records only show three cash withdrawals, totalling £900, in January 2023 – so Pulse couldn't have taken them into account when it increased the credit limit in 2021. They would, however, have been apparent to Pulse at the time of the February 2023 credit limit increase.

In February 2023 Pulse increased Mr R's credit limit from £4,000 to £5,000. While I consider that it should reasonably have carried out further checks before making that increase, I don't find that Mr R has lost out as a result. This is because Pulse's records show that his credit card balance never exceeded £4,000 – the limit agreed in 2021. So he hasn't been charged interest or fees on any balance over and above the £4,000 credit limit. It follows that I find no basis on which I can fairly require Pulse to make any refunds or compensate Mr R in any other way.

Mr R has said that Pulse should have offered appropriate forbearance and frozen interest on his credit card account. He hasn't said at what point he was no longer able to afford payments to the account or when he thinks Pulse should have done more to support him. I can see that Pulse has told him about sources of free debt advice, and I would remind it of its continuing obligation to treat Mr R fairly, including considering appropriate forbearance, if Mr R has difficulty making payments.

In reaching my conclusions, I've also considered whether the lending relationship between Pulse and Mr R might have been unfair to Mr R in some other way, including under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I've not been persuaded that Pulse lent to Mr R irresponsibly or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 April 2025.

Janet Millington
Ombudsman