

The complaint

Mr G complains that NewDay lent irresponsibly when it approved three different credit card applications he made and increased the credit limits.

What happened

Mr G applied for a Debenhams credit card with NewDay in February 2019. In his application, Mr G said he was employed with an income of £30,000. Mr G said he was a homeowner with a mortgage. NewDay completed a credit search and found a missed mortgage payment within the previous six months and two other missed payments for unsecured credit around the same period. NewDay found Mr G owed around £65,500 in other unsecured debts and was making monthly repayments of £1,540 towards them. There's no evidence of what NewDay used for Mr G's mortgage payments or regular outgoings beyond his credit commitments.

NewDay approved Mr G's Debenhams application and issued a credit card with a limit of £1,750. Mr G used the Debenhams card for a balance transfer of £1,614.23 and went on to make monthly payments of £20. No interest was applied to the credit card by NewDay and Mr G repaid the outstanding balance in full in February 2020.

In August 2019, Mr G applied for a Fluid credit card with NewDay. In his application, Mr G said he was employed with an income of £35,000 and a homeowner with a mortgage. NewDay carried out a credit search and found Mr G had a missed mortgage payment in the previous six months but no other adverse credit. NewDay found Mr G had around £60,000 in unsecured debt at the time of his application with monthly repayments of £1,460. Mr G's mortgage repayments were noted as £728 a month. NewDay says it carried out reasonable and proportionate checks and approved a credit card with a limit of £1,200.

Mr G's Fluid card was never used and no interest was charged by NewDay.

In June 2020 Mr G applied for another Debenhams credit card with NewDay. In this application, Mr G said he was employed with an income of £60,000 that NewDay calculated left him with £3,029 after deductions each month. NewDay carried out a credit search and found Mr G had a missed mortgage payment in the previous six months. NewDay also found Mr G had unsecured debts of around £47,000 with monthly payments of £1,375. NewDay said Mr G was making mortgage contributions of £364 and had had monthly costs for essential living expenses of around £550. NewDay says Mr G had around £740 a month left as disposable income after his commitments and regular outgoings were met. NewDay says it applied the necessary lending checks and approved a credit card with a limit of £2,000.

NewDay increased the Debenhams credit card limit to £3,500 in February 2022 and £5,000 in June 2022.

Mr G first used the credit card in November 2020 building a balance of £1,740. Mr G made minimum payments until May 2023 when he cleared the remaining balance of £991.

Earlier this year, Mr G complained that NewDay lent irresponsibly. In his complaint, Mr G pointed out he'd previously held an Aqua credit card with NewDay that he'd used for a large amount of cash advances and had missed payments on. NewDay issued a final response on 20 June 2024 but didn't uphold Mr G's complaint. NewDay said it had carried out proportionate checks before each lending decision and didn't agree to refund any of the interest Mr G paid. NewDay also confirmed the Debenhams Credit Card had been suspended for new spending.

An investigator at this service looked at Mr G's case. They noted the Fluid credit card had never been used and no interest was applied by NewDay. The investigator also noted that whilst NewDay had increased the credit limit on the Debenhams credit card, Mr G's balance had never exceeded the original £2,000 credit limit approved following his application in June 2020.

The investigator wasn't persuaded NewDay had carried out reasonable and proportionate checks before approving the Debenhams credit card application. The investigator reviewed Mr G's bank statements for the months before his application but felt they showed he had sufficient disposable income to sustainably afford repayments. The investigator noted Mr G had previously experienced difficulties with an Aqua credit card provided by NewDay but pointed out those issues occurred around three years before his Fluid application was made. The investigator didn't uphold Mr G's complaint.

Mr G asked to appeal and said he remained of the view that NewDay had carried out inadequate affordability checks before agreeing to lend and made assumptions about his income and outgoings. Mr G added that NewDay disregarded his previous financial difficulties and that its actions had caused the potential for long term harm. As Mr G asked to appeal, his complaint has been passed to me to make a decision.

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 lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr G could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I understand Mr G has concerns about the potential for financial harm caused by NewDay's decision to approve his applications and increase the credit limit on the Debenhams account. But as a service, I can't fine or punish a business for its actions if I uphold a complaint. I can look at whether a business' actions have led to a financial loss and award compensation to

reflect that. Where I find a business has lent irresponsibly, the normal approach to awarding compensation is to tell it to refund all the interest, fees and charges applied to the debt.

I'll start by looking at the first Debenhams application Mr G completed in February 2019. I think it's fair to say Mr G's unsecured debt level was very high at more than double his annual income. I also note a missed mortgage payment and two missed payments for unsecured debts were found by NewDay during the application process. In my view, those were grounds for NewDay to consider carrying out a more comprehensive assessment of Mr G's circumstances before approving the application. One option available to NewDay would've been to review Mr G's bank statements to get a clearer picture of his circumstances in the months before his application.

I've taken into consideration that Mr G's bank statements are in joint names. So whilst I can see both incomes being paid into the account, it's difficult to know precisely what commitments were specifically in Mr G's name. Overall, I think the statements indicate Mr G did have sufficient income to sustainably afford a new Debenhams credit card. I've been intentionally brief in terms of my review of Mr G's bank statements in relation to this credit card as even if I were to conclude NewDay lent irresponsibly (which I haven't) and uphold his complaint, the settlement I'd use would be to tell it to refund interest, fees and charges applied to the balance. But, the records show no interest was ever applied to the balance Mr G placed on the Debenhams account in February 2019 as part of a balance transfer promotion. The evidence shows Mr G made monthly repayments of £20 that were used to reduce the balance each month, not cover interest. Mr G then repaid the balance in full in February 2020. No interest was applied by NewDay during this period. As I'm satisfied Mr G's bank statements indicate the credit card was affordable and there's been no financial loss caused by interest being applied by NewDay, I'm not upholding this part of Mr G's complaint.

In my view, when Mr G applied for the Fluid credit card there were signs he was struggling. Mr G's existing unsecured debt levels were high when compared against his declared income and the credit file results showed he'd missed a mortgage payment in the previous six months. Whilst it was around three years prior to Mr G's Fluid application, I also note he's told us he previously missed payments and was over his credit limit for an Aqua credit card. Given the level of repayments Mr G was already making, the missed mortgage payment and his history with NewDay I think it should've gone further before approving the application in August 2019.

With the above said, even if I were to uphold Mr G's complaint, there's been no financial loss here. Whilst the Fluid application was approved and NewDay sent Mr G a credit card with a limit of £1,200, he never used it and no interest was charged. In the circumstances, I'm satisfied there's no loss to Mr G so I'm not telling NewDay to take any further action in relation to the Fluid credit card it approved in August 2019.

By the time Mr G applied for the second Debenhams credit card in June 2020, his unsecured debt level had reduced somewhat, but it was still high at around £47,000 with monthly repayments of £1,375. And I note Mr G's credit file shows he had a missed mortgage payment in the six months before the application was approved. I also note the original credit limit approved was £2,000 which was reasonably high. In my view, NewDay should've carried out more comprehensive checks before approving the credit card with a limit of £2,000. One option available to NewDay was to review his bank statements to get a better picture of his income and outgoings. Mr G's sent us copies of his joint bank statements for the three months before his application was approved in June 2020 so I've reviewed those.

As I've noted above, Mr G's bank statements are in joint names showing both his and his partner's income and outgoings. It's not possible to separate the outgoings with certainty,

especially as Mr G and his partner both potentially had accounts with some of the same businesses. I've used Mr G's credit file along with the bank statements when considering Mr G's outgoings. I found his regular commitments came to an average of around £1,600 a month in the three months before his application for the Debenham credit card was made. Mr G's income was around £2,450 a month during this period. In my view, Mr G's bank statements show he had capacity to sustainably afford repayments to the Debenhams credit card with a limit £2,000. I'm sorry to disappoint Mr G, but I haven't been persuaded NewDay lent irresponsibly when it approved his Debenhams credit card with a limit of £2,000.

I've not gone on to assess the credit limit increases further as Mr G's highest account balance was £1,705.89 in January 2021. So whilst NewDay increased the Debenhams credit card limit in stages to £5,000 by June 2022, Mr G's outstanding balance never exceeded the original credit limit of £2,000. As a result, I'm not going to comment further on the credit limit increases NewDay approved.

I'm very sorry to disappoint Mr G but as no interest was ever applied to the first Debenhams credit card balance and he didn't use the Fluid credit card I'm satisfied there was no financial loss to him. And whilst I agree NewDay should've taken a more thorough approach to Mr G's second Debenhams credit card application in June 2020, I'm satisfied it's more likely than not that it would've still approved it if it had asked for additional evidence. As I haven't been persuaded NewDay lent irresponsibly, I'm unable to uphold Mr G's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr G or otherwise treated him unfairly. 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 decision is that I don't uphold Mr G's complaint.

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

Marco Manente
Ombudsman