

The complaint

Mr B, through a representative, says NewDay Ltd, trading as Marbles Card, irresponsibly lent to him.

What happened

Mr B opened a credit card with NewDay in January 2018. He was given a £300 credit limit. This was increased to £1,200 in June 2018, to £2,600 in October 2018 and to £3,600 in March 2019.

Mr B says he was in a position where he couldn't get any credit and needed to build his credit score, then before he knew it the credit limit on the card went up. He was struggling with the debt and interest so he requested higher limits to see if this would help, however he ended up spiralling into more debt. This meant he was unable to pay the amount due each month.

NewDay says it carried out adequate checks that showed at each stage the credit would be affordable for Mr B.

Our investigator did not uphold Mr B's complaint. He said NewDay's checks at the time of each lending decision were proportionate. And it was fair to give the opening limit and subsequent increases to Mr B based on the information it gathered.

Mr B disagreed and asked for an ombudsman's review. He said NewDay did not ask for payslips or bank statements prior to increasing his limit, or ask if his circumstances had changed. It did not make sure he understood his obligations under the agreement. He used the card to fund his gambling and had to borrow more to make his repayments. He initially wanted the card to improve his credit score but the increased limit meant he just spent more and more and could not afford it.

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.

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

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr B was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr B, how much he had to repay (Including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time of Mr B's card application and limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would

most likely have shown. I have also considered if NewDay acted unfairly towards Mr B in some other way.

When Mr B applied for his credit card NewDay asked about his gross annual income and time at address. It estimated his housing and living costs using internal models. It carried out a credit check to understand his credit history and existing credit commitments. Each time NewDay increased Mr B's limit it reviewed his account history and his external credit management. It also refreshed the income and expenditure analysis. From June 2018 onwards it verified his income using current account turnover data from one of the credit reference agencies. On each occasion NewDay found Mr B had sufficient disposable income to afford the credit.

I think these checks were proportionate given the value and type of credit involved and that NewDay made fair lending decisions based on the information it gathered. I'll explain why.

Account opening and initial limit of £300

NewDay learnt Mr B's net monthly income was £1,273.78. He his existing debt only totalled £45.39. The credit check showed he had no CCJs or defaults on his file, and no missed payments. He was not using payday loans. After allocating an amount for housing and living costs NewDay calculated Mr B would have disposable income of £631.90. So I find it was fair for it to open the account.

Credit limit increases

NewDay says it used the same approach for each increase but due to the time that has lapsed and its data retention policy it does not have the results of its income and expenditure analysis from the first limit increase. That is not unreasonable. Based on the available evidence however I cannot conclude it was wrong to provide the increase. Mr B had incurred no late or overlimit fees on his account. He wasn't using the credit card for cash withdrawals. He had two active accounts and wasn't overindebted. I note there was now evidence that he had previously defaulted but the most recent event was 24 months ago so I don't think that was a reason not to increase Mr B's limit in the context of the other data.

For the second and third limit increases NewDay calculated Mr B would have £562 and £421 disposable income respectively. His account was well-managed, with a one-off late fee in January 2019 and no over limit instances. He frequently made more than the minimum payment. There was no new adverse data on his credit file. So again I find it was fair for NewDay to increase Mr B's limit on both occasions.

Mr B told us he was using the credit to fund his gambling. I have reviewed his credit card statements from account opening in January 2018 to the date of the last limit increase in March 2019. There are no identifiable gambling transactions within that date range.

He also raised that NewDay did not ask for his bank statements or payslips but it was not obliged to. There is no set list of checks a lender has to complete and I have found what NewDay did here was proportionate. I am not disputing Mr B's testimony that he went on to have financial difficulties, but to possibly discover any early signs of financial strain would have require a disproportionate level of financial review.

It follows I don't think NewDay was wrong to give this card and the limit increases to Mr B.

I haven't found any evidence NewDay treated Mr B unfairly in some other way. He said it did not make his obligations clear but the credit agreement he signed in December 2017 set out the terms and conditions he was accepting in full.

I've also considered 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 B 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.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 March 2025.

Rebecca Connelley
Ombudsman