

## **The complaint**

Ms N complains that NewDay Ltd irresponsibly gave her a loan she couldn't afford to repay.

## **What happened**

In April 2019, Ms N was granted a £5,000 loan with NewDay. She was required to pay 18 monthly repayments of £326.64. Ms N also held a NewDay credit card which she had opened the previous year. She complained to NewDay in 2024 about both the credit card and loan. She said that she shouldn't have been given either because the credit was unaffordable.

This complaint relates only to the loan. However, the outcome of Ms N's complaint concerning the NewDay credit card provides relevant context to this complaint. In summary, NewDay made an offer to uphold the complaint about the credit card which Ms N accepted. NewDay said it shouldn't have increased the credit limit on the credit card in around December 2018 as it didn't think Ms N's repayment history on the card demonstrated that an increase in credit would be appropriate.

While it upheld her complaint about the credit card, NewDay didn't agree it had acted unfairly in relation to the loan. It said it had completed appropriate affordability checks which didn't reveal any concerns about Ms N's ability to repay the borrowing.

Our investigator didn't recommend the complaint be upheld. She was satisfied that NewDay completed proportionate affordability checks and that it didn't make an unfair lending decision.

Ms N didn't agree with that outcome. She provided a substantive response, including citing various regulations, rules and published guidance from the regulator. In summary, she said:

- NewDay didn't complete appropriate affordability checks, if it had done it would have seen that she had a gambling problem and giving her a loan would therefore be irresponsible. NewDay ought to have seen that she didn't have sufficient disposable income to meet the monthly loan repayments.
- She opened two new credit cards, one in February 2019 and another in April 2019 just before this loan was taken out. This should have alerted NewDay to the possibility she was becoming reliant on credit.
- NewDay have agreed a limit increase on her credit card should not have happened in December 2018. This loan was for significantly more. If they have accepted the credit card was irresponsible, they must accept this loan was too.
- Just prior to applying for the loan she requested for two large money transfers from her NewDay credit card, one for £500 and another for £1,000. This ought to have raised concerns with NewDay about her reliance on credit.

The complaint has been passed to me for 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.

The rules and guidance for lenders is set out in the Consumer Credit Sourcebook within the Financial Conduct Authority's handbook. I've taken that into account as well as other relevant rules, regulations and guidance when deciding what is fair and reasonable in this complaint.

Prior to lending, NewDay were required to carry out checks to ensure the loan would be affordable to Ms N. There isn't a set list of checks that have to be completed, instead NewDay needed to ensure that the checks it carried out were proportionate to the specific lending decision it was considering. What is considered proportionate will therefore vary depending on the unique circumstances of each lending decision. In deciding what checks would be proportionate, NewDay needed to take into account things such as (but not limited to): the amount being borrowed, the size of the monthly repayments, the cost, the term and the consumer's specific circumstances.

Ms N completed a loan application which asked her about her income and some basic questions about her expenditure and living circumstances. She declared a monthly income of £2,100, rent of £350 and that she had no dependents. NewDay used a credit reference agency to validate what Ms N had declared as her income by checking the turnover in her current account. It also completed a credit check for her existing and historic credit commitments and estimated her monthly living costs using statistical data provided by another agency.

NewDay were also required to take into account what it already knew about Ms N as she was an existing customer. NewDay accepts it raised her credit card limit too soon following the short term issues on that account. While that doesn't automatically mean it was inappropriate to approve the loan around four months later, NewDay did need to take into account what happened when deciding what proportionate checks ought to be for the loan.

The context around what happened with the credit card is particularly relevant here. The credit card account was opened in April 2018 with a credit limit of £450. In August 2018, Ms N made five gambling transactions in quick succession totalling £580, which took the account over its agreed limit and further spending was therefore suspended. The month afterwards, Ms N made her minimum repayment two days late. The next month she paid £215 towards the outstanding balance. In December 2018, she effectively cleared the entire balance with a payment of £444.75.

Ms N has also referred to two money transfers she made on her NewDay credit card prior to the loan being approved. One for £500 in March 2019 and another for £1,000 in April 2019. Ms N says her credit card account activity ought to have prompted more thorough affordability checks before approving the loan, including, reviewing her current account statements which she says would have revealed her gambling problem.

It's debatable whether the recent history on the NewDay credit card, including going over the credit limit and making two relatively large money transfers ought to have prompted NewDay to carry out more thorough checks. On balance, I'm not persuaded in the specific circumstances of this case, that it needed to. I think the checks it did were proportionate. But for completeness, I think even if it had done more thorough checks, I'm not persuaded that would have made any difference to the outcome I've reached. I'll explain why.

While Ms N did go over her credit limit due to five gambling transactions, this was the only

time prior to the loan application that any gambling activity took place on the credit card. I don't think there was anything else evident from the checks NewDay did that ought to have made it concerned that Ms N might have had a gambling problem. It was a one off instance and Ms N paid off the outstanding balance relatively quickly, including one payment of almost £450. Following this, the credit card was managed well, including Ms N making several other large repayments, such as £209 in March 2019 and £492.50 in April 2019.

In relation to the money transfers, I think it's relevant to highlight that Ms N paid back the £500 money transfer within a month so that it did not incur any interest. Further, the second money transfer for £1,000 was done under a 0% interest promotional offer. They were not therefore significantly expensive borrowing.

NewDay's credit checks showed that Ms N had less than £1,500 in unsecured credit at the time of the loan application. Other than the short term issues with the NewDay credit card there was no other recent adverse reporting that NewDay could see. Further, Ms N had declared a monthly income of £2,100 on her application against committed monthly expenditure (excluding credit commitments) of £350. NewDay estimated (using statistical data) additional monthly living costs of around £510.

NewDay said based on these checks Ms N appeared to have more than enough disposable income to meet the monthly repayments. Given everything it could see, including that over the previous four months she had made three large payments towards her NewDay credit card (two of which exceeded the proposed loan repayment) I don't think it was unreasonable for NewDay to conclude the loan was likely to be affordable to Ms N.

I think, on balance, the checks NewDay completed were reasonable and proportionate in the circumstances of this lending decision. Further, I think it made a fair lending decision based on the information it gathered.

Even if I considered that NewDay's affordability checks ought to have gone further and to the point that it ought to have verified both Ms N's income and outgoings, I'm not persuaded it would likely have resulted in a different lending decision – or changed the overall outcome I have reached.

I say this because Ms N's income does appear to have been what she declared it to be, which payslips or bank statements would have confirmed. Further, even if NewDay had insisted on seeing a recent bank statement from Ms N to verify her expenditure and/or income, it's likely this wouldn't have revealed any affordability concerns. This is because I've seen that Ms N's current account statement dated 22 February 2019 contained no gambling transactions at all for the entire month. There were no other signs that might have alerted NewDay to the possibility that Ms N wouldn't be able to afford the loan repayments. Had NewDay seen this statement, there would have been no reason not to proceed with the loan.

Given Ms N clearly wanted this loan, it seems more likely had she been asked for a recent bank statement she would have provided one (such as the February 2019 one) which didn't present any affordability and/or gambling concerns. The reason I consider that to be more likely is also because Ms N is now seeking to argue she had around a £700 monthly commitment to pay family which impacted her affordability of the loan. However, she didn't disclose this during her application for the loan – nor was it visible on that same February statement.

Taking everything into consideration, I don't think NewDay made an unfair lending decision when it approved the loan for Ms N.

**My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 16 April 2025.

Tero Hiltunen  
**Ombudsman**