

The complaint

Mrs O complains that NewDay Ltd irresponsibly lent to her.

What happened

Mrs O was approved for an NewDay credit card (which I will refer to as A in this decision), in May 2020 with a credit limit of £1,200. I have detailed the credit limit changes below:

October 2020	£1,200 to £2,450
May 2021	£2,450 to £3,700

Mrs O was approved for another NewDay credit card (which I will refer to as B in this decision), in June 2022 with a credit limit of £300. The credit limit on B was increased to £900 in November 2022. Mrs O says that NewDay irresponsibly lent to her. Mrs O made a complaint to NewDay.

NewDay did not uphold Mrs O's complaint, as they said they made fair lending decisions. Mrs O brought her complaint to our service. Our investigator partially upheld Mrs O's complaint. She said that the lending decisions on A were fair. She said NewDay made a fair lending decision to approve B with a £300 credit limit, but she didn't think NewDay made a fair lending decision to increase the credit limit on B.

Our investigator said that NewDay should amend Mrs O's credit file to remove adverse information recorded after 1 December 2022 regarding B, and to rework the account to remove any interest/fees/charges that applied to B after 1 December 2022.

Mrs O said she accepted our investigator's view on B (and so did NewDay), but she wanted an ombudsman to look at the lending decisions on A, as she felt NewDay should have completed further checks.

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 approve or increase the credit available to Mrs O, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks NewDay have done and whether I'm persuaded these checks were proportionate.

Acceptance for A - initial credit limit (£1,200)

I've looked at what checks NewDay said they did when initially approving Mrs O's application for A. I'll address the other lending decisions later on. NewDay said they looked at

information provided by credit reference agencies (CRA's) and information that Mrs O had provided before approving her application.

The information showed that Mrs O declared a gross annual income of £37,890. The checks showed that Mrs O had a debt to annual income ratio of 64.38% which would equate to around £24,394 of unsecured debt.

While this is fairly high, the CRA did report to NewDay the monthly credit commitments that Mrs O was paying for the unsecured debt. And they were able to add this into their affordability calculation they completed for Mrs O.

The checks showed that Mrs O had been in arrears with her mortgage payment in the six months prior to the checks. So this could be an indication of financial difficulty, or it could have been a genuine oversight from Mrs O.

It does appear to be an oversight on this occasion. I say this because Mrs O had brought the account up to date when NewDay completed their checks. The checks should show that Mrs O had no accounts in arrears when the checks were completed. They also show that Mrs O had no defaults, or County Court Judgements (CCJ's) at the time of the checks.

NewDay's affordability calculations showed that Mrs O would have disposable income to sustainably afford the repayments for a £1,200 credit limit. So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve the initial £1,200 credit limit.

October 2020 credit limit increase on A - £1,200 to £2,450

I've looked at what checks NewDay said they did as part of this lending decision. The checks showed that Mrs O's unsecured debt had fallen to £21,286. But she had incurred an overlimit fee since her account had been opened. So this could be a sign of financial difficulty. But it also could have been an oversight.

It does appear to be an oversight on this occasion. I say this because there were no other signs of financial difficulty here. Mrs O had managed to reduce her unsecured debt since A was opened. This was her only overlimit fee, and she incurred no late fees. Mrs O had also made repayments which were higher than her minimum required payments, which I wouldn't expect her to regularly be able to do if she was suffering financial difficulty.

None of Mrs O's accounts were in arrears at the point of these checks. And Mrs O had no accounts in arrears since A was approved. So it wouldn't have been proportionate for NewDay to have completed further checks here, and I'm persuaded that they made a fair lending decision to increase the credit limit.

May 2021 credit limit increase on A - £2,450 to £3,700

I've looked at what checks NewDay said they did as part of this lending decision. The checks showed that Mrs O's unsecured debt had increased to £26,602. She had incurred an overlimit fee and a late fee since the last credit limit increase. So these things could be signs of financial difficulty.

But they also could have been oversights. I say this because Mrs O had been making higher repayments than her required minimum repayment. Mrs O wasn't always reusing the credit which she had paid towards A in the same month, so she didn't appear to be hungry for credit. She often paid over £100 a month towards her repayments.

None of Mrs O's accounts were in arrears at the point of these checks. And Mrs O had no accounts in arrears since the last credit limit increase. So it wouldn't have been proportionate for NewDay to have completed further checks here, and I'm persuaded that they made a fair lending decision to increase the credit limit here.

Lending decisions on B

As Mrs O has made it clear she agrees with our investigator's view about B, and as NewDay have also agreed with this, then I'm not minded to interfere with this here. So I've not reviewed whether NewDay made fair lending decisions or not for B.

But I do think it would be a fairer outcome for NewDay to use the date of the credit limit increase – 4 November 2022, as opposed to the date our investigator mentioned in her view of the complaint - 1 December 2022.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mrs O in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that NewDay take the actions detailed below, which I think is reasonable in the circumstances. But I have asked them to use the date of 4 November 2022 as opposed to 1 December 2022, as 4 November 2022 is when the credit limit was increased on B.

My final decision

I uphold this complaint in part. NewDay Ltd should take the following actions;

Card B only:

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £300 after 4 November 2022;

If the rework results in a credit balance, this should be refunded to Mrs O along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mrs O's credit file recorded after 4 November 2022;

Or, if after the rework the outstanding balance still exceeds £300, NewDay should arrange an affordable repayment plan with Mrs O for the remaining amount. Once Mrs O has cleared the balance, any adverse information recorded after 4 November 2022 in relation to the account should be removed from her credit file.

**If NewDay considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs O how much they've taken off. They should also give Mrs O a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 27 March 2025.

Gregory Sloanes
Ombudsman