

The complaint

Mr G complains that NewDay Ltd irresponsibly lent to him.

Mr G is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr G himself.

What happened

Mr G applied for a NewDay branded credit card in December 2022. The application was accepted, and a credit limit of £1,200 was given to him. Mr G says that NewDay irresponsibly lent to him. Mr G made a complaint to NewDay, who did not respond to his complaint, so he brought his complaint to our service.

Our investigator did not uphold Mr G's complaint. He said NewDay used Current Account Turnover (CATO) data to verify Mr G's income. He said NewDay's checks were proportionate and that they made a fair lending decision. Mr G asked for an ombudsman to review his complaint. He made a number of points. In summary, he said NewDay did not consider all of his monthly credit commitments he had at the time, and that CATO was not a reliable way of verifying income. He said NewDay should have verified his income and requested a payslip from him.

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.

Firstly, I'm aware that I've only summarised Mr G's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve the credit available to Mr G, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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.

I've looked at what checks NewDay said they did when initially approving Mr G's application for the account. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr G had provided before approving his application. The information showed that Mr G had declared a gross annual income of £60,000.

NewDay were able to verify Mr G's income via CATO information from a CRA. While Mr G has said CATO isn't reliable, I do note he hasn't disputed that his income was £60,000 a year, and it wouldn't be clear why he would tell NewDay incorrect information if he didn't earn £60,000 a year. But CATO is an acceptable industry standard way of assessing income, and as this income was verified by CATO it would not be proportionate for NewDay to make further checks such as requesting his payslip or bank statements.

NewDay also completed an affordability calculation. They used a mixture of modelling and information from a CRA to estimate Mr G's outgoings. The CRA told NewDay Mr G's credit commitments were £1,147 a month.

While Mr G has said his credit commitments were higher than this, I can't hold NewDay responsible if all of Mr G's lenders don't report to all of the different CRA's. NewDay are not required to obtain information about Mr G from all of the different CRA's, and it would not be proportionate for them to do so. Therefore I'm persuaded they were fair to accept the information in good faith that the CRA they used gave them.

NewDay also included living costs and housing costs into their affordability assessment for Mr G and they determined he had around £551.75 of estimated disposable income a month which would be sufficient to sustainably afford repayments for a £1,200 credit limit.

The checks also showed that Mr G had no defaults or County Court Judgements being reported by the CRA. Although Mr G was paying around a third of what NewDay calculated to be his net monthly income, he had no arrears showing on any of his accounts, and there were no arrears showing in the six months prior to the application checks. So it did appear Mr G was able to service his debt without financial difficulty.

The data showed Mr G was not on any repayment plans on any of his accounts and he had no payday lending when NewDay completed their checks. So based on all of these factors, I'm not persuaded that further checks would be proportionate.

Based on the information NewDay received from their checks, I'm persuaded that their checks were proportionate, and that they made a fair lending decision to approve the £1,200 credit limit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that NewDay lent irresponsibly to Mr G 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. So it follows I don't require NewDay to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 April 2025.

Gregory Sloanes
Ombudsman