

## **The complaint**

Mrs K complains that NewDay Ltd lent irresponsibly when it approved two credit card applications she made and increased the credit limits.

## **What happened**

Mrs K applied for a Marbles credit card with NewDay in April 2021. In her application Mrs K said she was employed with an income of £14,000 that NewDay calculated left her with £1,133 a month. NewDay applied estimates of Mrs K's rent at £218 a month and general living expenses of £446 to the application. A credit search found Mrs K had unsecured debts of around £1,300 and was making monthly repayments of £91. No adverse credit, defaults or recent missed payments were found on Mrs K's credit file. NewDay says that after covering her outgoings Mrs K had an estimated disposable income of £362. NewDay approved a Marbles credit card with a limit of £1,200.

NewDay increased the Marbles credit limit to £2,200 in July 2021, £3,450 in December 2021, £4,300 in February 2023 and £5,800 in June 2023.

Mrs K applied for a BIP credit card with NewDay in June 2022. In this application, Mrs K said her income was £28,000 that NewDay calculated left her with £1,973 each month. NewDay applied estimates for Mrs K's rent at £241 and general living expenses of £449 a month. A credit search found Mrs K now owed around £13,582 in unsecured borrowing and was making monthly repayments totalling around £515. NewDay calculated Mrs K had an estimated disposable income of £751 after meeting her existing outgoings and approved a credit card with a limit of £1,200.

NewDay increased the BIP credit limit to £1,950 in November 2022 and £2,200 in August 2023.

Last year, Mrs K complained that NewDay lent irresponsibly and it issued a final response. NewDay didn't uphold Mrs K's complaint and said it had carried out the relevant lending checks before approving her applications and increasing the credit limits.

An investigator at this service looked at Mrs K's complaint. They thought NewDay had carried out reasonable and proportionate checks before approving the Marbles application and increasing the credit limit in stages to £3,450. But the investigator thought NewDay had lent irresponsibly when it increased the Marbles credit limit to £4,300 in February 2023 and approved the BIP application, as well as later credit limit increases, taking it to £2,200 in August 2023. The investigator asked NewDay to refund all interest, fees and charges on the Marbles credit card balances over £3,450 and all balances held on the BIP credit card. Despite being chased for a response, we didn't hear back from NewDay. As a result, Mrs K's 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 Mrs K 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 can see that when Mrs K applied for the Marbles credit card she was already making payments of around £91 a month to her existing creditors. Mrs K's monthly income was reasonably modest when compared with her outgoings and whilst I can see NewDay calculated she would have around £360 a month remaining after meeting her existing outgoings, the Marbles credit limit it went on to apply was reasonably high at £1,200. In my view, it would've been reasonable for NewDay to consider completing more detailed checks before approving the Marbles credit card application. As noted above, there's no set list of checks a lender has to complete. One option NewDay had would've been to look at Mrs K's bank statements to get a clearer picture of her circumstances which is what I've gone on to do. I've also looked at Mrs K's bank statements for the months leading up to each of the credit limit increases for the Marbles credit card.

Between April 2021, when Mrs K applied, and December 2021, when the Marbles credit limit was increased to £3,450, she earned between £1,150 and £1,540. Mrs K's committed outgoings for items like her existing credit, insurance and utilities were consistently below £750 throughout that period. I note Mrs K's confirmed her partner was paying the rent at the time so it wasn't a monthly commitment for her. Overall, I'm satisfied Mrs K's bank statements didn't show signs of financial difficulty or that she was struggling. In my view, Mrs K's bank statements show she was able to sustainably afford repayments to a credit card with the credit limits NewDay approved up to £3,450. I'm satisfied that if NewDay had carried out stronger lending checks, like reviewing Mrs K's bank statements, it's more likely than not that it would've still approved her application and increased the credit limit in stages to £3,450 by December 2021.

By the time NewDay increased Mrs K's credit limit to £4,300 in January 2023 she'd opened a new BIP credit card with it, confirming her income was £28,000. NewDay checked Mrs K's credit file and found her unsecured debts had increased substantially to £16,715. Again, I'm satisfied there were grounds for NewDay to have carried out a more detailed approach before increasing the credit limit. I've looked at Mrs K's bank statements and can see her income was around £1,600, not the £3,072 figure Aqua used in its affordability check. Mrs K's bank statements also show that in the month before the credit limit increase to £4,300 she'd taken a new loan with another business that had large monthly repayments of £241.82. I also note Mrs K had opened the BIP credit card with a credit limit of £1,200 a short time before.

Given the amount of new credit Mrs K had taken in the preceding months, I'm not persuaded it was reasonable for NewDay to increase the Marbles credit limit to £4,300 in February 2023. In my view, a more detailed approach to Mrs K's credit limit increase would've most likely led NewDay to have declined to lend further in relation to the Marbles credit card. I'm satisfied the information on file shows Mrs K wasn't borrowing in a sustainable way and that NewDay lent irresponsibly when it increased the credit limit to £4,300 in February 2023.

It follows that if I think the decision to increase Mrs K's credit limit to £4,300 wasn't affordable, I think the same of the increase to £5,800 four months later. I haven't seen anything in the information on file that would indicate the increased credit limit became more affordable for Mrs K over time or that she was in a position to sustainably afford higher repayments on her Marbles credit card. As a result, I'm going to tell NewDay to refund all interest, fees and charges applied to Mrs K's Marbles balances over £3,450 from February 2023 onwards.

When Mrs K applied for the BIP card with NewDay she already had the Marbles credit card with a limit of £3,450. I note that in June 2022 Mrs K was charged for being over the Marbles credit limit. And NewDay was looking at a credit limit of £1,200 which was reasonably large, especially taking Mrs K's existing debts of around £14,000 into account. In the circumstances, I think there were grounds for NewDay to have considered a more thorough approach to Mrs K's application like reviewing her bank statements to get a clearer picture of her circumstances. I've taken that approach and looked at Mrs K's bank statements for the three months before her BIP application was made.

The bank statements show Mrs K's income was around £1,450 at this point and that she had regular outgoings of around £1,065. But I note part of Mrs K's income was made up of child benefit and her bank statements shows her spending had to cover her children as well as herself. I'm not persuaded that a disposable income of around £385 was sufficient for Mrs K to be able to sustainably cover her other outgoings for items like food, fuel, transport, childcare, clothes and other normal living expenses that families require and have funds available for an emergency or unexpected costs. In my view, the bank statements show Mrs K was already at or over capacity in terms of her outgoings and wasn't in a position to cover the cost of a new credit card with a limit of £1,200 without causing financial strain. I think it's more likely than not that if NewDay had carried out a more detailed assessment of Mrs K's circumstances it would've declined her BIP application in June 2022.

I've thought about the following credit limit increases taking it to £2,200 in August 2023 but haven't seen anything that shows Mrs K's circumstances changed or she had more funds available to cover increased borrowing. In my view, the decision to increase Mrs K's credit limit in stages to £2,200 in August 2023 wasn't reasonable based on the available information. I haven't been persuaded that NewDay lent responsibly when it increased the BIP credit limit.

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, I'm satisfied the redress I have directed below results in fair compensation for Mrs K 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.

### **My final decision**

My decision is that I uphold Mrs K's complaint and direct NewDay Ltd to settle as follows:

- Rework the Marbles account removing all interest, fees, charges, and insurances (not already refunded) that have been applied above £3,450 from February 2023 -

and all interest, fees, charges, and insurances applied to the BIP account from the date of approval.

- If the rework results in a credit balance, this should be refunded to Mrs K 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 recorded from February 2023 on the Marbles account and should also remove all adverse information regarding the BIP account from Mrs K's credit file.
- Or, if after the rework the outstanding balance still exceeds £3,450 on the Marbles account, NewDay should arrange an affordable repayment plan with Mrs K for the remaining amount, as well as the BIP account. Once Mrs K has cleared the outstanding balances, any adverse information recorded from February 2023 on the Marbles account and from inception on the BIP account should be removed from her credit file.

If NewDay has transferred ownership of the accounts to a new business it should work with it or consider buying the accounts back to ensure the above settlement can be arranged.

\*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs K a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 24 April 2025.

Marco Manente  
**Ombudsman**