DRN-5362204

The complaint

Mr G complains that NewDay Ltd, trading as Marbles, irresponsibly provided him with credit.

Mr G is supported in bringing this matter by a representative. But, for ease, I'll refer to all actions and submissions as being those of Mr G himself.

What happened

NewDay provided Mr G with a credit card in August 2015 with a limit of £300. The credit card limit changed in the following way:

- Increased to £950 in November 2015
- Increased to £1,950 in around December 2016
- Increased to £3,700 in September 2019

In summary, Mr G says NewDay didn't conduct appropriate checks before providing the credit. He says he was in a cycle of debt, borrowing from multiple providers. Mr G says his financial position has been affected as a result and all his money goes towards creditors, with nothing left over.

NewDay reviewed matters but didn't uphold the complaint. In summary, it thought the credit was provided responsibly and that its affordability assessments were appropriate and proportionate.

Mr G remained unhappy and brought his complaint to this Service. An Investigator here reviewed matters and didn't recommend the complaint be upheld. In summary, she thought NewDay carried out proportionate checks for the account opening and it was fair to lend. She thought NewDay ought to have found out more about Mr G's circumstances before providing the credit limit increases, however she thought it still would have lent if it had done.

Mr G disagreed with the opinion. He said his income was sporadic before the final increase was provided and he was in receipt of benefits to support him. He also said he was consistently using his overdraft and had a large volume of credit elsewhere, including a payday loan which was taken shortly before one of NewDay's lending decisions.

As an agreement couldn't be reached, the case has been passed to me to decide.

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 regulations in place at the time NewDay provided Mr G with credit required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means NewDay had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr G. In other words, it wasn't enough for NewDay to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr G.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether NewDay did what it needed to before lending to Mr G.

Some of the correspondence from Mr G suggests he's only complaining about the credit limit increases, but some also suggests he's unhappy with the provision of the whole card too. For completeness, and as our Investigator has done, I'll address all limits provided on the card.

The opening limit of £300 was provided in August 2015. NewDay says before lending, it recorded that, in summary, Mr G didn't have any registered defaults, bankruptcies, County Court Judgments (CCJs), Individual Voluntary Arrangements (IVAs) or repayment arrangements. It also said he hadn't missed repayments on credit elsewhere and had no active payday loans.

It noted that Mr G had a gross annual income of £34,000, which was converted to a net monthly income of around £1,986. After deducting credit commitments, housing and living costs, it recorded that Mr G had a disposable income of around £1,272, which I've understood to be a monthly figure.

NewDay had to be satisfied that Mr G could repay £300 within a reasonable period of time. Overall, I think the checks were proportionate and showed the lending was likely to be affordable. I say this especially considering the modest limit provided and the repayments that would be required to repay £300 within a reasonable period of time. So, overall, I think this lending decision was reasonable.

The credit limit increases to £950 and £1,950 happened in November 2015 and around December 2016 respectively. Due to the passage of time, NewDay says it no longer holds the information it used from the time of lending. Generally, this is understandable given the length of time that has passed, though I note it did retain information from the opening limit which was provided earlier.

Given the amount NewDay was increasing the limit by, it wouldn't have been unreasonable for it to understand more about Mr G's income and committed expenditure. I've reviewed Mr G's bank statements from around the time of the lending decisions to understand what these checks would have likely revealed had they been carried out. To be clear, I'm not saying NewDay needed to review bank statements, but this is an easy way to retrospectively piece together what it likely would've seen. Having done so, I think these checks would have likely revealed that Mr G had sufficient disposable income. So, I think the checks would have revealed that both limit increases were likely to be affordable.

The final increase to £3,700 took place in September 2019. I appreciate NewDay carried out a credit check which didn't show any obvious issues. However, given the amount it was proposing to lend Mr G, I think it could have taken steps to understand more about his income and committed expenditure before lending to him. Having reviewed Mr G's bank statements from around the time of the lending decision, similar to the previous limit increases, I think further checks would have revealed that the increase was likely to be affordable.

I've considered Mr G's point that his income from before this increase was sporadic and he was in receipt of benefits to support him. Having looked at the statements leading up to the lending decision, Mr G's income does indeed drop for the two months before the increase took place. However, in the month of the credit limit increase, Mr G's income then increases again – to a similar amount as three months prior – and it increases again the month after. More broadly, I don't think it was unreasonable for NewDay to take Mr G's benefit payments into account when calculating whether he would be able to afford the increase in credit.

I have to consider what I think NewDay would have likely found out had it considered more about Mr G's circumstances. Having done so, I'm persuaded it's more likely that it would have considered the two months with lower income as an anomaly, and not indicative of what Mr G's ongoing income was likely to be. I say this because Mr G's overall income soon rises again – a point I think would have been made clear had NewDay asked more about his circumstances. It then rises again the following month. Therefore, overall, I think NewDay still likely would've deemed the lending affordable.

Mr G also says his bank statements show he was using his overdraft consistently. However, as outlined above, whilst reviewing the bank statements is an easy way for this Service to piece together what further checks would have likely shown, I don't necessarily think NewDay needed to review Mr G's bank statements. It could have understood more about his income and committed expenditure in a variety of ways and so I'm not persuaded that it would have necessarily been aware of this.

I've also considered Mr G's point that the volume of credit, including a payday loan he says he took out in the months leading up to the credit limit increase, should have been a cause for concern for NewDay. However, NewDay's checks didn't show that a payday loan had been opened recently. Additionally, even if it had concerns about whether Mr G could afford the limit alongside his existing debt, I'd have expected it to understand more about his income and expenditure. And, as outlined, I think this would have revealed that the lending was likely to be affordable.

Therefore, for the reasons I've explained, I can't fairly say that NewDay acted unfairly or unreasonably here in its decision to provide Mr G with the credit card and limit increases. It follows that I'm not upholding this complaint.

Finally, 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 don't think 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.

My final decision

My final decision is that I don't 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 21 July 2025.

Hana Yousef
Ombudsman