

The complaint

Miss L complains NewDay Ltd (NewDay) irresponsibly lent to her because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable for her.

What happened

Miss L opened a credit card with NewDay in July 2021 with an initial limit of £600. The credit limit was increased on the following occasions.

Date	Event	New Limit
January 2022	Credit limit increase (CLI) one	£1,600
April 2022	CLI two	£3,100
April 2023	CLI three	£3,950
August 2023	CLI four	£4,950

Miss L is represented in her complaint but for ease of reading I'll simply refer to Miss L throughout this decision. Miss L complained to NewDay about the lending decisions on 19 September 2024.

NewDay responded to the complaint on 1 October 2024. It said it carried out a detailed affordability assessment, and considered what Miss L had told it about her circumstances. It also took into account how Miss L had managed her existing credit. Based on the information obtained, it was satisfied the credit it provided was affordable for her. So, it didn't uphold the complaint.

Miss L remained unhappy and asked our service to investigate. Our Investigator looked into things and explained why she felt the checks completed had been reasonable and proportionate. She also felt that NewDay's lending decisions had been fair based on the information it obtained.

Miss L didn't accept our Investigator's findings. She explained she didn't agree the lending was affordable and she is now in a debt management plan because she was unable to keep up with the repayments. She said even after she had utilised all of her credit limit, NewDay proceeded to increase the limit which caused her to sink further into debt. She provided information about her debt management plan with evidence of missed payments.

Therefore, the complaint 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks to ensure the borrower can sustainably afford to repay the credit. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided; the size of the regular repayments; the total cost of the credit and the consumer's circumstances. What's important to consider here is that NewDay offered running account credit, which means NewDay needed to consider whether Miss L could sustainably afford to repay the total available credit limit within a reasonable period.

Account Opening – July 2021 - £600

In respect of the account opening, I'm satisfied the limit was relatively modest and Miss L would only need to pay a small monthly repayment in order to clear the total available balance within a reasonable time. NewDay has confirmed it used various sources, including its internal and external affordability checks, data from credit reference agencies (CRA) and the consumer's declared costs. It used this to calculate affordability before deciding whether to lend.

NewDay completed a credit check which showed no recent adverse information, no defaults, no repayment plans and no missed or late payments within the last six months. It showed Miss L's overall indebtedness was around 15%. It showed she was paying £266 towards credit commitments – which I've taken as a monthly figure.

Miss L declared a gross annual income of £33,000 which NewDay verified as £2,273.30 net monthly income. NewDay then considered Miss L's expenditure, including credit commitments, living costs and housing costs. After doing so, it calculated Miss L's disposable income as £1,078.45 per month.

I think the checks carried out here were proportionate. There wasn't anything in the information NewDay obtained which indicated it might need to obtain any further information. Additionally, the information showed that Miss L was likely to be able to manage the modest limit. Therefore, I don't think NewDay did anything wrong when it provided her with the credit at account opening.

CLI one – January 2022 - £1,600

NewDay significantly increased the credit limit (by £1,000) some months later. However, the overall limit being provided still wasn't very high and wouldn't require very significant monthly repayments to repay the total available balance within a reasonable period.

NewDay completed checks to ensure the limit increase would be affordable. It also had information about how she had used her account. Her balance increased in December 2021 and January 2022. She had paid around £52 in October 2021 to clear her balance and made other payments. I don't think there was anything in the way she managed her account which ought to have indicated to NewDay she couldn't afford an increased limit.

The checks also included a credit search which showed Miss L seemed to be managing the credit she had. Her non-revolving credit had increased, but I don't think there was cause to think she was reliant on credit.

NewDay also considered her income and expenditure. NewDay's calculations show Miss L would be left with a significant disposable income. However, some of the costs it used in its income and expenditure assessment seemed to be fairly low compared to the information it had at account opening. Nevertheless, thinking about all the information NewDay had, I think it had sufficient information to make a fair lending decision. It had been around six months

since Miss L had opened the account, and I don't think there was anything to have suggested to NewDay her circumstances had changed in such a way that would have meant it needed to carry out more checks or that Miss L couldn't afford this credit limit increase.

Therefore, I think the checks were reasonable and showed Miss L had sufficient disposable income to sustainably afford the increase here. There isn't anything which tells me NewDay's decision to lend here was an unreasonable one.

CLI two – April 2022 - £3,100

NewDay went on to significantly increase the credit limit by £1,500 a few months later. I've reviewed the information NewDay had and it's not clear the checks were reasonable and proportionate here. In the month it increased the limit, it completed a credit search which showed Miss L had an available credit limit of £3,400 but she seems to have been slightly over the limit with a total balance of £3,420. This isn't necessarily an indicator that NewDay shouldn't have lent. However, her utilisation had increased over the previous few months.

Additionally, NewDay completed an income and expenditure assessment but (as above) some of the figures which have been used don't seem to be accurate. This is for Miss L's rent and loan repayments which seem lower than expected. NewDay also had evidence of her account management, but only a short amount of time had passed since the previous increase and since then she had not paid much more than the minimum.

Nevertheless, Miss L has not responded to requests for further information. I asked for this so I could understand what NewDay were likely to have obtained had it carried out further checks. As I've not received anything further, I've thought about the information I do have, and it doesn't seem this increase was unaffordable for Miss L. Whilst NewDay used some lower figures in its affordability assessment, it still calculated a significant amount of disposable income, and this was likely to have been sufficient to afford the repayments and other expenses. Moreover, the credit search showed Miss L's accounts were up to date. Therefore, I'm unable to conclude NewDay shouldn't have increased Miss L's limit at this time.

CLI three – April 2023 - £3,950 and CLI four – August 2023 - £4,950

I've also thought about the later credit limit increases, and I note these were significant increases. At the time of each increase, NewDay had information about how Miss L had managed her account, completed credit searches and had completed an affordability assessment. I'm satisfied this was reasonable and proportionate in the circumstances of these particular increases.

I can see from the credit searches NewDay completed that Miss L had generally been reducing the balance of her overall credit since the previous increases and all of her credit accounts were up to date.

It also had information about her account management, and I can see in the period leading up to both of these increases Miss L's repayments had generally been more than the minimum. In some of the months prior to the increases, she had paid significantly more than required and I think this speaks to the affordability of the increases here.

Additionally, NewDay assessed Miss L's income and expenditure, and calculated a significant disposable income. As explained above, some of the costs included seem lower than expected. However, I'm also mindful that NewDay relied on information from a CRA when completing its affordability assessment and it still showed a significant disposable

income which seems likely to have been sufficient. This is particularly the case when thinking about Miss L's repayment history leading up to the lending decisions.

Therefore, I'm satisfied the checks completed were reasonable and proportionate and I don't think there was anything to suggest NewDay needed to obtain more information. I'm also satisfied the lending decisions were fair as it seemed she had sufficient disposable income to sustainably afford the credit.

I have already explained some of the costs in NewDay's affordability assessment seem lower than I'd expect. But even if I were to say NewDay ought to have asked for some further information, I can't say what it was likely to have obtained because Miss L hasn't responded to requests for information. In any event, I think the checks were reasonable and proportionate in the circumstances of these increases.

Did NewDay act unfairly or unreasonably towards Miss L in some other way?

Having reviewed how the account was managed, I don't think there were clear signs Miss L was struggling and NewDay ought to have done more.

I've considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Miss L or otherwise treated her 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.

Miss L was concerned there was a contractual imbalance because appropriate checks weren't carried out and meant she had to pay interest and charges when she was provided credit she couldn't afford. However, I've already set out above why I think NewDay's lending decisions were reasonable.

Weighing up all the information I have, I think NewDay have acted fairly and reasonably, and I won't be asking it to do anything further to resolve this complaint.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 6 October 2025.

Laura Dean
Ombudsman