

The complaint

Mr S complains that NewDay Ltd trading as Pulse (“NewDay”) lent to him irresponsibly and as a result, he’s in financial difficulties.

What happened

In October 2020 Mr S applied for a card with NewDay. He was granted with an initial credit limit of £950.

In March 2021 the credit limit was increased to £1,450. It was increased a further two times – once in July 2021 to £2,450 and finally in November 2021 to £3,950.

In November 2022 the balance was repaid in full, and it doesn’t appear the card has been used since.

In July 2024 Mr S complained to NewDay. He said NewDay failed to conduct proper checks to find out whether or not the credit and the later increases were actually affordable for him.

NewDay didn’t respond within the eight-week timescale set by the Financial Conduct Authority (FCA) so the complaint was referred to our service.

In their submissions to us, NewDay have said they believe the lending was fair. They conducted checks for both the opening of the account and each increase which showed Mr S had no payday loans, had no defaults, and wasn’t in any formal repayment arrangements. An Investigator here looked into things. They said a fair decision to lend was made for both the account opening, and all the limit increases. They felt Mr S had enough disposable income to repay the debt.

Mr S responded – he felt he wasn’t asked about his specific income and expenditure, and therefore NewDay can’t be satisfied the lending was affordable.

Because an agreement couldn’t be reached, 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.

The rules and regulations in place at the time NewDay provided Mr S with the credit card required them 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 S. In other words, it wasn’t enough for NewDay to consider the likelihood of them getting the

funds back or whether Mr S' circumstances met their lending criteria – they had to consider if Mr S could sustainably repay the lending being provided to him.

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 was needed before lending to Mr S.

Account opening

When Mr S applied for the card, NewDay gathered information about his circumstances by using both his information declared at application, and information from the credit reference bureaux.

The information available to them suggests Mr S had no defaults, had a gross annual income of £32,000 (around £1,880.00 per month), £245 in housing costs and around £270 towards existing credit commitments.

I believe the checks NewDay carried out were proportionate, and considering the amount being provided to Mr S, and the information they gathered in these checks, I don't think they acted unfairly when providing Mr S with the credit card. I say this because it was for a relatively modest amount of £950, and there were no signs of financial difficulty either recently or historically. It wouldn't be a significant cost for Mr S to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

Limit increase one

In the months prior to the first increase in March 2021, Mr S was making significantly over the minimum repayment on the NewDay card. For example, in January and February, despite not needing to pay more than £10, he made payments of £100 each month.

The way the account was being managed would be enough to suggest to NewDay that Mr S would be able to afford the increase being offered. They also did external credit checks which showed his indebtedness remained consistent – it wasn't significantly increasing or decreasing, and all external accounts were being managed well.

As Mr S was making significant overpayments to the credit card, and there were no other signs of potential financial difficulty, either internally or externally, I think NewDay acted fairly when increasing Mr S' credit limit to £1,450 in March 2021.

Limit increase two

Ahead of the increase in July 2021, this kind of account management continued. Mr S was making significant overpayments to the credit card. His external indebtedness remained consistent during this period and all external accounts were being well managed – he'd received no late or missed payment fees. And so based on this, I can't say NewDay treated Mr S unfairly when increasing his limit for the second time.

Limit increase three

Just prior to the final limit increase in November 2021, Mr S' financial commitments had increased. His overall indebtedness had gone from around £8,000 to around £21,000. It appeared that the additional credit was for a loan or hire purchase. NewDay did take

consideration of this increased payment, but using the figures they had on file, it still left Mr S with an estimated disposable income of £2,270 per month.

The account was still being well managed, with some overpayments and no late or over limit instances. His external credit was also being well managed. So overall, I can't say NewDay were unfair when granting the third credit limit increase and on balance, it appeared affordable for Mr S.

I note Mr S' comments regarding NewDay not carrying out an exact pounds and pence assessment of his income and expenditure. But NewDay aren't required to do this for every lending decision they make. And based on the information we have available from both Mr S and NewDay, what they did do was proportionate to his circumstances and the amount being lent.

I know this will be disappointing for Mr S, but I can't say NewDay treated him unfairly when granting him with the credit card or subsequent limit increases.

In reaching my conclusions, I've also considered whether the lending relationship between NewDay and Mr S might have been unfair under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied that NewDay did not lend irresponsibly or act unfairly when providing Mr S with the credit card or increasing the limit on three occasions. And so, I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome or additional award here.

My final decision

It's my decision that I'm not upholding Mr S' complaint against NewDay Ltd trading as Pulse as they didn't act unfairly when lending to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 May 2025.

Meg Raymond
Ombudsman