

The complaint

Mr C complains that NewDay Ltd lent irresponsibly when it approved two credit card applications he made and increased the credit limit on both accounts.

What happened

Mr C applied for a Marbles credit card in March 2016. In his application, Mr C said he was employed with a monthly income of £2,185. NewDay applied estimates for Mr C's housing costs and general living expenses totalling £696 to the application. A credit search found Mr C was making monthly payments of £72 to his existing debts which totalled around £1,750. A County Court Judgement (CCJ) was found on Mr C's credit file that was 45 months old. No other adverse credit, defaults or missed payments were found on Mr C's credit file. NewDay applied its lending criteria and says Mr C had an estimated disposable income of £1,417 a month. NewDay approved a Marbles credit card with a limit of £1,200.

NewDay increased the credit limit on Mr C's Marbles credit card to £1,850 in July 2016, £3,050 in January 2017 and £3,750 in December 2019. Mr C used the Marbles credit card until July 2022 when he repaid the outstanding balance.

In October 2019, Mr C applied for a Pulse credit card with NewDay. Mr C said he was earning £2,237 a month. NewDay applied estimates for Mr C's housing costs and general living expenses totalling £736 a month to the application. NewDay carried out another credit search and found Mr C was making monthly repayments of £1,057 towards outstanding debts totalling around £34,000. The CCJ previously reported on Mr C's credit file had dropped off and no new defaults or recent missed payments were found. NewDay applied its lending criteria and says Mr C had an estimated disposable income of £423 a month. NewDay approved Mr C's application and issued a Pulse credit card with a limit of £500.

The Pulse credit limit was increased to £1,500 in March 2021. In November 2021, NewDay moved the Pulse account to a new system and issued a new credit card to Mr C. The Pulse credit limit was increased to £2,300 in May 2022 and £2,750 in July 2022.

Last year, representatives acting on Mr C's behalf complained that NewDay lent irresponsibly and it issued a final response. NewDay upheld Mr C's complaint about the Marbles credit card and agreed to refund all the interest, fees and charges applied from the point the application was approved. But NewDay didn't agree it lent irresponsibly to Mr C when issuing the Pulse credit card and increasing the credit limit and didn't uphold that part of his complaint.

An investigator at this service looked at Mr C's complaint. They noted NewDay had already upheld the Marbles complaint. The investigator thought that because of the high level of unsecured debt Mr C already had when applying for the Pulse credit card NewDay should've completed a more detailed approach to his application. The investigator asked Mr C's representatives to provide bank statements showing Mr C's regular income and outgoings. Bank statements were provided that showed some of Mr C's outgoings. But the income being received was by way of transfers from another account and the investigator asked to see those statements. Mr C's representatives forwarded business bank statements for the

account he was transferring funds from into his personal account. But the investigator wasn't able to discern Mr C's actual income or outgoings by reviewing Mr C's business and personal bank statements and asked his representatives to either provide statements showing all his personal income and outgoings or evidence of his income by way of tax returns or accounts. Mr C's representatives later provided a 2019/2020 self assessment tax return.

Ultimately, the investigator reviewed Mr C's complaint based on the information they had on file. The investigator's view was that they were unable to get a clear enough picture of Mr C's circumstances. The investigator didn't uphold Mr C's complaint about the Pulse credit card. Mr C's representatives asked to appeal and said NewDay had failed to carry out proportionate checks when increasing the Marbles credit limit to £3,750 in 2019. As a result, Mr C'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 Mr C 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.

As NewDay has already upheld Mr C's complaint about the Marbles credit card and agreed to refund all the interest, fees and charges applied from inception I'm not going to comment further on this part of his case. I can see that Mr C's representatives raised the final credit limit increase with the investigator after their view of his complaint was issued. But the refund NewDay agreed covers the original lending decision along with all the credit limit increases. I'm satisfied that the settlement NewDay agreed in relation to the Marbles account was in line with how this service would've told it to settle so I'm not commenting further.

In my view, Mr C had a high level of unsecured debt October 2019 when he applied for the Pulse credit card. Mr C owed around £34,000. Given the reasonably high level of unsecured debt when compared against Mr C's income, I think it would've been reasonable for NewDay to have taken a more detailed approach to the application before approving the credit card. As noted above, there's no set list of checks a business has to complete. NewDay could've looked at Mr C's bank statements to get a clearer picture of his circumstances or requested evidence of his income in support of the application for instance.

Mr C's representatives have provided personal and business bank statements covering the months before the October 2019 Pulse application. They've also provided a copy of a tax

return from the 2019/2020 tax year. My first point is that the business account relates to a limited company that Mr C is the director of. As Mr C's limited company is a separate legal entity. But it does appear to me that Mr C's business account was being used for both business and personal expenses. I can see that Mr C has submitted a tax return for the 2019/2020 tax year, but the figures recorded appears to be different to the funds being paid into the business account, and the transfers then being made to his personal account.

I've not been able to reach a clear conclusion concerning the income or reliable figure for Mr C's regular outgoings by looking at the information provided. As a result, I've considered the lending data provided by NewDay when looking at the Pulse account.

I've considered the application and credit limits based on the lending data NewDay has supplied and the other information available. I can see that when the Pulse application was approved, NewDay calculated an estimated disposable income of £423 a month and I'm satisfied that would've been sufficient to sustainably afford repayments to a credit card with a limit of £500. The account data and credit file information provided shows Mr C's unsecured debts reduced during the period NewDay was increasing the Pulse credit limit, indicating he was managing his finances in a sustainable way. I also note there were no overlimit charges or late fees applied in the period NewDay was increasing the credit limit. In my view the decisions to approve Mr C's Pulse application and credit limit increases were reasonable based on the information NewDay obtained and is available. I'm sorry to disappoint Mr C but I haven't been persuaded to uphold his complaint about the Pulse credit card.

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, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr C or otherwise treated him unfairly in relation to the Pulse account. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr C's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 May 2025.

Marco Manente
Ombudsman