DRN-5484708

The complaint

Mr R complains that NewDay Ltd trading as Pulse lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr R applied for a Pulse credit card in October 2018. In his application, Mr R said he was employed with an annual income of £39,000 that Pulse calculated left him with £2,235 a month after deductions. Pulse carried out a credit search and found Mr R owed around £23,000 in other unsecured debts and was making monthly repayments of £570. No adverse credit, defaults or missed payments were found on Mr R's credit file. Pulse applied estimates for Mr R's rent and general living expenses totalling £1,017 a month to the application. Pulse carried out an affordability assessment and calculated that Mr R had an estimated disposable income of £611 after meeting his existing outgoings. Pulse approved Mr R's application and issued a credit card with a limit of £600.

Mr R used the credit card and Pulse went on to increase the credit limit to £1,950 in March 2019, £3,450 in July 2019, £3,950 in November 2020 and £4,950 in June 2021.

Last year, representatives acting on Mr R's behalf complained that Pulse lent irresponsibly and it issued a final response. Pulse said it had carried out the relevant lending checks before approving Mr R's application and later increasing the credit limit. Pulse didn't agree it lent irresponsibly to Mr R and didn't uphold his complaint.

An investigator at this service looked at Mr R's complaint. They thought Pulse had completed reasonable and proportionate lending checks before approving Mr R's application and didn't agree it lent irresponsibly. The investigator thought Pulse should've considered completing more detailed checks, like reviewing Mr R's bank statements, before increasing the credit limit. The investigator asked Mr R's representatives to obtain bank statements for the months before each credit limit increase but they weren't available. The investigator wasn't persuaded that the information on file was sufficient to show Pulse lent irresponsibly when increasing the credit limit and didn't uphold Mr R's compliant.

Mr R's representatives responded and questioned the income figures Pulse used when assessing the credit limit increases. Mr R's representatives said he wanted to appeal the investigator's view of his complaint so it's 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 Pulse had to complete reasonable and proportionate checks to ensure Mr R 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've set out the information Pulse used when considering Mr R's application above. I can see that the credit file results Pulse obtained showed Mr R already owed around £23,000 in other unsecured debt. But I think it's reasonable to note no adverse credit of any sort was found on Mr R's credit file and his accounts were all in good order. Pulse also used estimates for Mr R's regular outgoings, in addition to his monthly credit repayments, when completing its affordability assessment. Ultimately, Pulse reached the view that Mr R had an estimated disposable income of £611 a month after covering his existing outgoings. I think a disposable income of £611 was sufficient to sustainably afford repayments to a new credit card with a limit of £1,500. In my view, the level and nature of checks Pulse completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr R's application was reasonable based on the information Pulse obtained. I haven't been persuaded that Pulse lent irresponsibly when it approved Mr R's application.

Before increasing the credit limit, Pulse used a service provided by the credit reference agencies called CATO that monitors current account turnover. The CATO results provided income figures that Pulse went on to use in its lending assessments. Pulse says Mr R's income was £5,500 in March 2019, £5,124 in July 2019, £5,136 in November 2020 and £5,425 in June 2021. In addition, Pulse checked Mr R's account history, credit file and carried out affordability assessments each time it increased Mr R's credit limit. On each occasion, Puls says Mr R had a disposable income in excess of £2,475 a month. So, on the face of it, the credit limit increases all appeared affordable.

With the above said, I think the investigator made a good point when they said the income figure Pulse used had essentially doubled in the six months between his application and first credit limit increase. That would be somewhat unusual so I think there's a reasonable argument that Pulse should've sought to verify Mr R's increased income and potential change in circumstances in some way before increasing the credit limit. I can see our investigator asked Mr R's representatives to provide bank statements for the months before each credit limit but they weren't available. Without that additional information I'm unable to safely conclude what Pulse would've found if more comprehensive lending checks had been completed. As a result, I've had to rely on the information we already hold on file when considering Mr R's complaint.

As I've said above, Pulse obtained details of Mr R's income via CATO, checked his account use and found no late or overlimit fees, looked at his other outstanding balances, checked his credit file and completed affordability assessments each time before it increased the credit limit. And on each occasion, Pulse found Mr R had an estimated disposable income of at least £2,475. In the absence of further evidence from Mr R, I'm satisfied the level and nature of checks Pulse completed were reasonable and proportionate to the credit limits it went on to approve. And I'm satisfied the decisions to approve Mr R's credit limit increases were reasonable based on the information Pulse obtained. I'm sorry to disappoint Mr R but I haven't been persuaded Pulse lent irresponsibly.

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 Pulse lent irresponsibly to Mr R or otherwise treated him unfairly. 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 R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 July 2025.

Marco Manente
Ombudsman