

The complaint

Mrs B complains that NewDay Ltd trading as Marbles and Pulse lent irresponsibly when it approved her credit card applications and increased the credit limit.

What happened

Mrs B applied for a Marbles credit card with NewDay in May 2017. In her application, Mrs B said she was employed with an income of £11,500 that NewDay calculated left her with £862.50 a month after deductions. A credit search found Mrs B had a County Court Judgement (CCJ) that was around three years old. No defaults or recent arrears were noted. The credit search also found Mrs B owed around £3,425 and was making monthly repayments of £160. NewDay applied estimates for Mrs B's regular living expenses of £403.52 and housing cost of £147.92 a month to the application. After applying its lending criteria, NewDay says Mrs B had an estimated disposable income of £148 a month. NewDay approved the application and issued a Marbles credit card with a limit of £450.

NewDay increased the Marbles credit limit to £1,350 in December 2017, £2,350 in April 2018 and £3,600 in July 2018. Mrs B's Marbles account fell into arrears and was ultimately closed in 2022.

Mrs B applied for a Pulse credit card with NewDay in August 2019. Mrs B's income was recorded as £12,500. NewDay's credit search found the CCJ was now 53 months old and no new defaults or recent arrears were noted. NewDay hasn't supplied evidence of the affordability assessment it completed to this service but noted Mrs B owed around £7,900 at the time. NewDay approved the application and issued a Pulse credit card with a limit of £500.

Last year, representatives acting on Mrs B's behalf complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving Mrs B's applications and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service upheld Mrs B's complaint. They thought the information available to NewDay for both applications should've shown Mrs B didn't have capacity to afford new borrowing and asked it to refund all interest, fees and charges applied to both accounts. NewDay agreed with the investigator's view of Mrs B's complaint about the Pulse account. But NewDay remained of the view it completed reasonable and proportionate checks before approving the Marbles application and that she had around £115 available each month after covering the new credit card repayment. As NewDay asked to appeal, Mrs B'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 Mrs B 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 details NewDay considered when Mrs B applied for her Marbles card above. I can see a credit search found Mrs B had a CCJ that was three years old and unsecured debts totalling around £3,425. In addition, I can see that NewDay asked Mrs B about her income and found she was earning around £862 a month net. In my view, that was a reasonably modest take home figure each month which meant NewDay had to be sure any new borrowing was affordable. An estimate of Mrs B's living expenses of £403 a month was used and housing costs of £147 was also taken into account. I appreciate the estimates NewDay used will've come from statistical data it obtained. But I think it's fair to say that housing costs of £147 a month had the potential to be unusually low.

Ultimately, NewDay reached the position that Mrs B had around £148 a month available as an estimated disposable income. And NewDay's since explained that Mrs B's monthly payment to the Marbles account came to around £33, leaving her with around £115 as a disposable income. But I think a disposable income of £115 a month meant Mrs B had a very limited ability to afford normal unexpected outgoings or emergencies that may've arisen. In addition, whilst I understand NewDay used the £33 monthly payment figure in its response to the investigator, I'm satisfied Mrs B would've needed to pay more to repay the outstanding balance in a reasonable period of time.

In my view, NewDay's decision to approve Mrs B's application wasn't reasonable based on the information it obtained. I haven't been persuaded that NewDay lent responsibly when it approved Mrs B's Marbles application.

It follows that if I think NewDay lent irresponsibly when it approved Mrs B's Marbles application I think the same about the credit limit increases it went on to approve. I note Mrs B's outstanding credit continued to increase during the period NewDay was increasing the Marbles credit limit. In my view, that indicates Mrs B was borrowing at an unsustainable rate. I haven't seen anything in the information available that shows the credit card became more affordable for Mrs B as time passed. Taking all the available information into account, I'm also upholding Mrs B's complaint about the Marbles credit limit increases.

NewDay has already confirmed its agreement to uphold the Pulse credit card complaint. So I don't need to comment further on the Pulse complaint beyond saying that I agree with the conclusion NewDay reached.

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, I'm satisfied the redress I have directed below results in fair compensation for Mrs B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mrs B's complaint and direct NewDay Ltd to settle as follows for both the Marbles and Pulse accounts:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the reworks result in a credit balance, this should be refunded to Mrs B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mrs B's credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mrs B for the remaining amount. Once Mrs B has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If NewDay has sold either debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs B a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 9 June 2025.

Marco Manente
Ombudsman