

## **The complaint**

Mrs E complains that NewDay Ltd failed to adequately reassess her financial circumstances over the lifetime of her account with them.

## **What happened**

Mrs E had a NewDay branded credit card with a £5,000 credit limit. She says that NewDay failed to adequately reassess her financial circumstances over the lifetime of her account with them, particularly as her situation changed with them. Mrs E says from the outset, her financial behaviour demonstrated clear and repeated signs of escalating debt issues. She said NewDay effectively enabled a destructive cycle of escalating debt. Mrs E made a complaint to NewDay.

NewDay did not uphold Mrs E's complaint. They said the account was provided responsibly and they couldn't see that they were made aware of Mrs E's circumstances. Mrs E brought her complaint to our service.

Our investigator did not uphold Mrs E's complaint. He said the account and credit file from the monthly reviews were run well until February 2022 where the account went into arrears, and a payment plan was added to the account. He said by September 2022, the credit limit was withdrawn, and the account was charged off.

Mrs E asked for an ombudsman to review her complaint. She made a number of points, In summary, she said in June 2016 she changed jobs, and this resulted in a £11,000 per annum pay cut, yet her outgoings didn't decrease in proportion. She says within a few years she had eight credit cards, a mortgage, and two secured loans, yet NewDay didn't conduct periodic affordability checks, and they relied on old data.

Mrs E said when she cleared the NewDay credit card balance, she was doing so with other borrowings. She said that as her account went into arrears in 2022 and was ultimately charged off, this evidences the lending was not sustainable long term.

## **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.

Mrs E has made a number of points to this service, and I've considered and read everything she's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of her complaint in deciding what's fair and reasonable here.

Mrs E has told us that in June 2016 she changed jobs, which resulted in an £11,000 pay cut. But without Mrs E informing NewDay of this information, then I can't fairly say that it was obvious Mrs E's circumstances would have changed to NewDay.

After reviewing how she managed her account in 2016, I can see there were three occasions in the early part of the year where Mrs E made repayments which were at least three figures.

She repaid £5,046.65 in mid-2016.

Due to the time that's passed, information is limited. So I can't see if Mrs E took out a personal loan or secured loan to repay her NewDay debt. However, if she did do this, I would expect the lender who gave her the money to complete proportionate checks before lending her the money. I would not expect NewDay to complete any further affordability assessments even if her NewDay credit card was mostly repaid.

I say this because NewDay deemed the lending was affordable from the outset. They can't be held responsible for another lenders further borrowing which would be unforeseeable to them. And especially as Mrs E didn't inform them of any changes in circumstances. In 2016 Mrs E had no arrears being reported by the CRA to NewDay, so I wouldn't expect them to take any action here.

In 2017 Mrs E incurred three overlimit fees on her NewDay account. But Mrs E then made a large repayment which reduced the account balance. Again, information is limited from the CRA's due to the time that's passed, so the only data I have from the CRA regarding outstanding balances is Mrs E's total credit card balances. And the CRA also reported that Mrs E wasn't in arrears on any of her accounts in 2017. In the months Mrs E incurred an overlimit fee she made at least a three-figure repayment that month. So I wouldn't have expected NewDay to take any action here.

The data for 2018 shows that Mrs E wasn't in any arrears on her external accounts. But she did incur three overlimit fees again in 2018. But again, Mrs E made at least three figure repayments in the month that she incurred the fees. There were months where Mrs E made more than her minimum required repayment, which I wouldn't expect her to be able to make if she was struggling financially at the time.

2019 is the first complete year that NewDay had information being reported to them from three CRA's. So Mrs E's total borrowings is substantially higher than what it was at the beginning of 2018 when one CRA only reported her credit card balances. But Mrs E was in credit on her NewDay account for around four months of the year, and she was not utilising much of her credit limit for the rest of the year. Again, she had no arrears being reported in 2019 from any of the CRA's, so I wouldn't expect NewDay to do anything here.

Mrs E may feel that now was the time for NewDay to take action since NewDay were aware of the higher outstanding balances and with her being in credit for a portion of 2019. But as NewDay had deemed the original lending was affordable, and they weren't aware of any changes in circumstances from Mrs E, then I can't fairly say I would have expected them to step in here and take further action. Especially when Mrs E was not in any arrears, and she hadn't been late with any NewDay payments since her account had been opened by the end of 2019.

By the end of 2020, Mrs E's unsecured debt had risen. But it would appear to NewDay that Mrs E could afford her debt repayments as again there were no arrears on her accounts, she hadn't incurred any late fees since account opening. Mrs E had no defaulted accounts or County Court Judgements (CCJ's). And she sometimes paid more than her minimum requested repayment. Mrs E did not have any accounts on repayment plans or have any active payday loans.

Mrs E finished 2021 with a lot less unsecured debt than at the end of 2020, albeit I notice her mortgage balance was higher. But an increased mortgage in its own right wouldn't indicate financial difficulty. And NewDay would expect the mortgage provider to carry out proportionate checks on the lending to ensure Mrs E could afford the repayments considering her existing unsecured debt repayments which would still need to be met.

In 2021, it was the first year that I've seen since the earliest NewDay data that Mrs E was in arrears on an external account twice in the year. While this should give NewDay some concern, it could have been an oversight as Mrs E didn't go two months in arrears at any point, and she brought the account up to date.

It is in 2022 that it appears Mrs E is financially struggling and early in 2022 is the first time she incurred a late payment fee on her NewDay account. At this time Mrs E's unsecured borrowings had started to increase again externally. When Mrs E incurred a late payment charge, a repayment plan was set up in the same month for her.

So I'm satisfied that NewDay showed Mrs E forbearance here. It appears they froze interest on the account, and they charged her no late or overlimit fees. This is how I would expect NewDay to act here, as it wouldn't be fair to charge Mrs E interest or fees on the account at this time.

I've considered what Mrs E has said about her account going into arrears in 2022 and was ultimately charged off, which evidences the lending was not sustainable long term. But while I have a great deal of empathy for the position Mrs E found herself in, I'm not persuaded by this.

I say this because I'm not persuaded that it was NewDay's lending which caused what happened in 2022. It appears to be credit agreements that she took out after the NewDay credit card, and a change of circumstances which appears to have led to what happened ultimately. And I can't fairly say at the time of the borrowing that this would have been foreseeable to NewDay that Mrs E would take a substantial amount of credit over the following years or have changes to her circumstances without Mrs E informing them.

As I've documented earlier in this decision, year by year, the first time NewDay would have been aware of Mrs E's financial situation is when she missed a repayment on her NewDay account, and they acted in the same month to freeze interest/charges, and to put in place a repayment plan. So I can't fairly say that NewDay should have acted earlier when Mrs E had years without late repayments/external arrears. So it follows I don't require NewDay to do anything further here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 5 September 2025.

Gregory Sloanes  
**Ombudsman**