

The complaint

Miss S complains that NewDay Ltd irresponsibly lent to her.

What happened

Miss S was approved for a branded NewDay credit card (which I will refer to as A in this decision) in August 2021, with a £900 credit limit. Miss S was approved for another branded NewDay credit card (which I will refer to as B in this decision) in September 2023, with a £2,000 credit limit. Miss S says these were irresponsibly lent to her. Miss S made a complaint to NewDay.

NewDay did not uphold Miss S' complaint. They said the affordability checks were proportionate and appropriate. Miss S brought her complaint to our service. Our investigator did not uphold Miss S' complaint. He said NewDay's checks were proportionate, and they made fair lending decisions.

Miss S asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she only ever made minimum repayments which meant it was impossible for her to clear her financial burden. Miss S said that NewDay were aware of her activity on A, but they still allowed a balance transfer to B. Miss S sent our service some of her bank statements leading up to the lending decisions, and she said that these prove she was already experiencing financial difficulty, and she was constantly overdrawn.

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 approve or increase the credit available to Miss S, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks NewDay have done and whether I'm persuaded these checks were proportionate.

Acceptance for A

I've looked at what checks NewDay said they completed prior to accepting Miss S' application. I'll address the further lending decisions later on. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss S had provided before approving her application.

The information showed that Miss S had declared a gross annual income of £25,000. The CRA reported that Miss S had defaulted on no accounts, and she had no public records such as a County Court Judgement (CCJ) being registered on her credit file.

Miss S was not showing as being in arrears on any of her active accounts at the time of NewDay's application checks for A. The CRA also reported she hadn't been in arrears on any of her active accounts for the six months prior to NewDay's checks.

Miss S was showing as having an active debt to gross annual income of 3.81%, which would have equated to her having around £952.50 of active unsecured debt. NewDay also completed an affordability assessment using information from the CRA's and modelling to assess Miss S' outgoings. The affordability assessment showed that the repayments for a £900 initial credit limit should be affordable and sustainable for Miss S. It would not have been proportionate, based on what the checks showed for NewDay to have completed further checks for A, such as viewing her bank statements.

So I'm persuaded that NewDay's checks were proportionate for A, and they made a fair lending decision here.

Acceptance for B

The information showed that Miss S had declared a gross annual income of £35,000. So it appeared that she was earning a lot more than she was when she applied for A. The CRA again reported that Miss S had defaulted on no accounts, and she had no public records such as a CCJ being registered on her credit file.

Miss S was not showing as being in arrears on any of her active accounts at the time of NewDay's application checks for B. The CRA also reported she hadn't been in arrears on any of her active accounts for the six months prior to NewDay's checks.

Miss S was showing as having an active debt to gross annual income of 3.28%, which would have equated to her having around £1,148 of active unsecured debt, which was not significantly higher than when she applied for A.

NewDay also completed an affordability assessment using information from the CRA's and modelling to assess Miss S' outgoings. The affordability assessment showed that the repayments for a £2,000 initial credit limit should be affordable and sustainable for Miss S.

But NewDay would have been able to see how Miss S managed A leading up to the acceptance of B. Miss S had an outstanding balance of £200 prior to the acceptance of B, so she was using less than a quarter of her credit limit. They would have also been able to see that Miss S made repayments of £50 in two consecutive months leading up to B being accepted. This was ten times more the required minimum repayment, so I wouldn't expect Miss S to be able to make much higher payments if she was having any financial difficulty at the time B was approved.

Miss S had no overlimit or late payment fees charged to A in the 12 months prior to B being approved. The outstanding balance on A reduced month by month for the 12 months prior to B being accepted, which shows Miss S wasn't reliant on the credit available for A. She had also not spent on A for the 12 months prior to B being opened. So it would not have been proportionate, based on what the checks showed for NewDay to have completed further checks for B, such as viewing her bank statements.

So I'm persuaded that NewDay's checks were proportionate for B, and they made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that NewDay lent irresponsibly to Miss S or otherwise treated her unfairly in relation to this

matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 30 September 2025.

Gregory Sloanes
Ombudsman