

The complaint

Mrs C complains NewDay Ltd (NewDay) failed to conduct proportionate checks prior to approving her for credit.

Mrs C is represented in this complaint by a claims management company but, for ease, I'll refer to Mrs C directly throughout my decision.

What happened

In August 2022, Mrs C took out a credit card with NewDay. The card had an initial credit limit of £900. In January 2023, NewDay increased Mrs C's credit limit to £1,500. NewDay increased Mrs C's credit limit again in May 2023 to £3,000, before increasing it for a third time to £4,000 in October 2023.

In June 2024, Mrs C complained to NewDay that they'd been irresponsible in providing her credit whilst having failed to conduct thorough, appropriate and reasonable checks specific to her application.

In July 2024, NewDay sent Mrs C their final response, but they didn't uphold her complaint. In summary, NewDay said they were satisfied they acted responsibly when agreeing to lend and that their affordability assessments were appropriate and proportionate.

Mrs C disagreed with NewDay's response, so she referred her complaint to our service.

One of our Investigators looked into things and thought the checks NewDay carried out prior to each lending decision were proportionate. And, because NewDay's checks showed Mrs C had enough disposable income to afford the monthly repayments, she didn't think they'd done anything wrong by agreeing to lend to her.

Mrs C disagreed with our Investigator saying NewDay hadn't verified her income. She also said as NewDay's checks showed them she'd missed a mortgage payment in the six months prior to her initial application, this ought to have warranted them to complete further checks.

In addition, Mrs C said her credit file showed further late payments on other credit facilities prior to her application.

Regarding the credit limit increases, Mrs C said her increased reliance on borrowing and her credit file showing late payments to her other commitments prior to each increase, meant NewDay should have conducted further checks prior to each increase.

Our Investigator's opinion remained unchanged saying, given the overall circumstances, she was satisfied NewDay's checks showed Mrs C had sufficient disposable income to sustainably afford the repayments to the borrowing. Regarding Mrs C's credit file, our Investigator said the check completed by NewDay found no further evidence of late payments so based on what NewDay had seen, she remained satisfied their checks were proportionate and that their decisions to lend to Mrs C were fair.

Mrs C remained unhappy. Because no resolution could be reached, this case has been

passed to me to decide.

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.

Having done so, although I appreciate it'll be a disappointment to Mrs C, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mrs C's complaint. NewDay needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the credit.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like NewDay to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did NewDay complete reasonable and proportionate checks to satisfy themselves Mrs C would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?
 - If they did, was their decision to lend to Mrs C fair?
- Did NewDay act unfairly or unreasonably in any other way?

For ease, I'll first address Mrs C's initial credit card application before going on to address each increase to her credit limit.

Did NewDay complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Initial credit card application –

Here, NewDay approved a credit card for Mrs C with a limit of £900. This meant if she was to have utilised the full limit straightaway, she would have needed to have made monthly repayments of around £70 to have paid back the borrowing within a reasonable period of time.

So, I think in the first instance NewDay approved a credit limit for Mrs C that was fairly modest both in respect of the amount of credit and the monthly repayments I think they ought to have factored in, so my starting point is that I'd expect to see NewDay to have gained an understanding of Mrs C's financial situation proportionate to the credit in question.

At the time of her application, Mrs C declared her annual income as being £40,000 from which NewDay estimated her monthly income to be around £2,700. Mrs C declared she had no dependents reliant upon her financially, and using statistical data, NewDay estimated Mrs

C's monthly expenditure to be around £480 towards the cost of living, £227.50 towards housing costs and £497 towards existing credit commitments. NewDay then concluded Mrs C was likely to have had around £1,500 disposable income each month.

In addition to the information Mrs C declared, NewDay also completed a credit check to help them understand how she managed both her current and existing finances.

NewDay say the credit check showed them Mrs C had not defaulted on any credit accounts for 53 months; she was not under any repayment plans; she had not entered into an Individual Voluntary Arrangement (IVA) in the three years prior and nor where there any signs of bankruptcy.

NewDay said they were aware Mrs C had missed one payment to her mortgage in the six months prior to the application, but that this had been brought back in to order by the time of the application and that they saw no other signs of arrears across any of Mrs C's other accounts throughout the same period.

I'm aware Mrs C says she had further missed payments prior to both the initial credit card application and the subsequent credit limit increases. But I've reviewed the data recorded following the credit check NewDay completed, and this wasn't information available to them. Not all credit reference agencies (CRAs) report all data, and I can't say NewDay ought to have been aware of further signs of arrears if for any reason that data wasn't provided to them.

So, in summary, while I acknowledge a missed or late payment, especially on an important commitment such as a mortgage isn't ideal, in this case, the missed payment appeared in isolation when looking at the other data the credit check returned. And given the credit limit NewDay were looking to agree, alongside both the information Mrs C declared and statistical data they used to estimate her expenditure and likely disposable income, I wouldn't expect NewDay to do more.

Overall, I think NewDay completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if the initial agreement was affordable and sustainable for Mrs C.

Credit limit increase to £1,500 in January 2023 –

NewDay increased Mrs C's credit limit to £1,500. This meant if she was to have utilised the full limit straightaway, her monthly repayments would needed to have increased to around £120 to have paid back the borrowing within a reasonable period of time.

So here, I think NewDay approved a credit limit for Mrs C, whilst still fairly modest, that was an increase to the credit limit she'd previously had access to. So, my starting point is that I'd expect to see NewDay to have gained an understanding of Mrs C's current financial situation proportionate to the credit in question.

At the time of NewDay increasing Mrs C's credit limit, they verified her income by conducting an automated check via a CRA. The check told NewDay Mrs C earned a monthly income of around £4,400.

NewDay used information from the CRA's alongside statistical data to understand Mrs C's existing commitments and calculated her expenditure to be around £680 towards the cost of living, £465 towards housing costs and £826 towards existing credit commitments. NewDay then concluded Mrs C was likely to have had around £2,400 disposable income each month.

In addition to the above, NewDay also used information from the CRA's to help them understand how she managed both her current and existing finances, alongside what they knew about how she'd maintained the NewDay credit card since the account was opened.

NewDay saw Mrs C had missed or been late making one payment to her external commitments within the previous six months but that this had since been brought up to date. They saw no indication she was in arrears or showing signs of financial distress on any of her other accounts and had managed the NewDay account well.

Credit limit increase to £3,000 in May 2023 –

NewDay increased Mrs C's credit limit to £3,000. This meant if she was to have utilised the new limit in full straightaway, her monthly repayments would needed to have increased to around £240 to have paid back the borrowing within a reasonable period of time.

So here, I think the credit limit NewDay approved was by this point fairly substantial and a 100% increase on the credit limit she'd previously had access to. So, my starting point is that I'd expect to see NewDay to have gained a good understanding of Mrs C's current financial situation proportionate to the credit in question.

At the time of NewDay increasing Mrs C's credit limit, they verified her income by conducting an automated check via a CRA. The check told NewDay Mrs C earned a monthly income of around £4,500.

NewDay used information from the CRA's alongside statistical data to understand Mrs C's existing commitments and calculated her expenditure to be around £700 towards the cost of living, £487 towards housing costs and £760 towards existing credit commitments. NewDay then concluded Mrs C was likely to have had around £2,550 disposable income each month.

In addition to the above, NewDay also used information from the CRA's to help them understand how she managed both her current and existing finances, alongside what they knew about how she'd maintained the NewDay credit card since the account was opened. NewDay saw Mrs C had missed or been late making one payment to her external commitments within the previous six months but that this has since been brought up to date. They saw no indication she was in arrears or showing signs of financial distress on any of her other accounts and had managed the NewDay account well.

Credit limit increase to £4,000 in October 2023 –

Finally, NewDay increased Mrs C's credit limit to £4,000. This meant if she was to have utilised the new limit in full straightaway, her monthly repayments would needed to have increased to around £320 to have paid back the borrowing within a reasonable period of time.

Again, I think the credit limit NewDay approved was by this point fairly substantial, so my starting point is that I'd expect to see NewDay to have gained a good understanding of Mrs C's current financial situation proportionate to the credit in question.

At the time of NewDay increasing Mrs C's credit limit, they verified her income by conducting an automated check via a CRA. The check told NewDay Mrs C earned a monthly income of around £4,500.

NewDay used information from the CRA's alongside statistical data to understand Mrs C's existing commitments and calculated her expenditure to be around £700 towards the cost of living, £500 towards housing costs and £692 towards existing credit commitments. NewDay

then concluded Mrs C was likely to have had around £2,500 disposable income each month.

In addition to the above, NewDay also used information from the CRA's to help them understand how she managed both her current and existing finances, alongside what they knew about how she'd maintained the NewDay credit card since the account was opened. They saw no indication she was in arrears or showing signs of financial distress on any of her other accounts and had managed the NewDay account well.

So, in summary, while I acknowledge there was a missed or late payment prior to the first two credit limit increases, I'm satisfied NewDay would've seen these to be in isolation when looking at the other data returned by the CRA's and based on Mrs C's maintenance of her account with them. Having considered the checks NewDay completed and what they found as a result of those checks, I wouldn't expect NewDay to do more.

Overall, I think NewDay completed reasonable and proportionate checks prior to each of the credit limit increases and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if each increase was affordable and sustainable for Mrs C.

But my above conclusions don't automatically mean NewDay went on to make fair lending decisions – it's these I'll go on to look at next.

Did NewDay make fair lending decisions?

Initial credit card application –

NewDay took Mrs C's declared annual income and from that estimated she earned around £2,700 a month.

In addition, when calculating Mrs C's expenditure, NewDay used a combination of her actual existing credit commitments alongside statistical data. After doing this, NewDay found Mrs C likely had a monthly expenditure of around £1,204, which left her a disposable monthly income of around £1,500.

As I've explained, I think the maximum repayment towards the new credit card that I think NewDay ought to have factored in, was £70 a month, so a figure well within the disposable income NewDay had calculated.

I understand Mrs C says her credit file showed other missed payments and borrowing in addition to what I've mentioned NewDay saw, but I must take into account what I'm satisfied NewDay would have known at the time they made their decision. And based on what I've seen, I'm satisfied their checks were reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint about the initial account opening.

Credit limit increase to £1,500 in January 2023 –

NewDay verified Mrs C's net monthly income and found the figure to have increased from the equivalent annual income figure declared by her at the time of the application.

In addition, when calculating Mrs C's expenditure, NewDay used a combination of her actual existing credit commitments alongside statistical data. After doing this, NewDay found Mrs C had a likely monthly expenditure of around £1,971, which left her a disposable monthly income of around £2,400.

As I've explained, I think the maximum repayment towards the new credit card that I think NewDay ought to have factored in, was £120 a month, so a figure well within the disposable income NewDay had calculated.

Credit limit increase to £3,000 in May 2023 –

NewDay verified Mrs C's net monthly income and found the figure to be stable when compared to the last check they completed and to have increased from the equivalent annual income figure declared by her at the time of the application.

In addition, when calculating Mrs C's expenditure, NewDay used a combination of her actual existing credit commitments alongside statistical data. After doing this, NewDay found Mrs C had a likely monthly expenditure of around £1,947, which left her a disposable monthly income of around £2,550.

As I've explained, I think the maximum repayment towards the new credit card that I think NewDay ought to have factored in, was £240 a month, so a figure well within the disposable income NewDay had calculated.

Credit limit increase to £4,000 in October 2023 –

NewDay verified Mrs C's net monthly income and found the figure to be stable when compared to the last check they completed and to have increased from the equivalent annual income figure declared by her at the time of the application.

In addition, when calculating Mrs C's expenditure, NewDay used a combination of her actual existing credit commitments alongside statistical data. After doing this, NewDay found Mrs C had a likely monthly expenditure of around £1,892, which left her a disposable monthly income of around £2,500.

As I've explained, I think the maximum repayment towards the new credit card that I think NewDay ought to have factored in, was £320 a month, so a figure well within the disposable income NewDay had calculated.

I understand Mrs C says her credit file showed other missed payments and borrowing in addition to what I've mentioned NewDay saw, but I must take into account what I'm satisfied NewDay would have known at the time they made their decision.

And based on the evidence provided, I'm satisfied their checks were reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks for the initial account opening and for each of the three credit limit increases that followed, so I'm not upholding this complaint.

Did NewDay act unfairly or unreasonably in some other way?

From what I've seen, Mrs C managed her account well prior to raising her complaint.

However, as Mrs C's complaint made NewDay aware she was struggling financially, I'd expect NewDay to act responsibly and to treat her positively and sympathetically going forward.

I can see in their final response letter, NewDay let Mrs C know she could speak to them should she require support managing her account. They also provided Mrs C details of third-party organisations that might be able to provide further support.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mrs C's complained about, including whether it's relationship with her might have been unfair under s.140A Consumer Credit Act 1974.

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 25 July 2025.

Sean Pyke-Milne
Ombudsman