

The complaint

Mrs A complains that NewDay Ltd trading as Marbles was irresponsible in its lending to her. She wants all interest and charges applied to her credit card account from the first credit limit increase refunded along with statutory interest. She also wants any adverse information removed from her credit file.

What happened

NewDay provided Mrs A with a Marbles credit card account in February 2020. The initial credit limit was £900. The credit limit was increased on four occasions resulting in a credit limit of £6,150 in February 2022.

Mrs A said that the credit limit shouldn't have been increased as she was operating at her credit limit each month and only making the minimum repayments. She said that the additional credit provided wasn't affordable.

NewDay issued a final response dated 23 July 2024. It said that it typically provided smaller credit limits on accounts to start and these were increased over time if customers demonstrated they could afford and maintain the payments. It said affordability assessments were undertaken before the account was opened and credit limit increases offered. It said that credit checks were also carried out and it assessed how Mrs A was managing her account before any further credit was offered. It said that its checks were proportionate and reasonable and that based on these the lending was responsible.

Mrs A referred her complaint to this service.

Our investigator thought the checks carried out before the first credit limit increase was applied were reasonable. As these didn't raise concerns he didn't uphold this part of Mrs A's complaint. However, he thought that the checks carried out before the second limit increase raised concerns that the additional credit would likely not be affordable for Mrs A. Therefore, he upheld this complaint from the second credit limit onwards.

NewDay didn't accept our investigator's view. It said that while overlimit charges were applied to Mrs A's account these were several months before the second credit limit increase. It said there were no missed payments reported on Mrs A's credit check and while her estimated disposable income dropped for a month it was substantially higher both before and after the credit limit increase. It said Mrs A's recorded debt balance from the credit reference agency dropped significantly a month after the second credit limit increase and Mrs A was making payments above the minimum required. It said there was no evidence to suggest that Mrs A was struggling financially and noted she repaid her account in full in January 2025.

Our investigator considered NewDay's comment and responded to these. However, as these didn't change his view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mrs A was provided with a Marbles credit card account in February 2020. The initial credit limit was £900, and this was increased on four occasions:

- 27 July 2020 – increase from £900 to £1,900
- 23 June 2021 – increase from £1,900 to £3,150
- 22 October 2021 – increase from £3,150 to £4,650
- 18 February 2022 – increase from £4,650 to £6,150

Mrs A's complaint is that the credit limit increases weren't affordable and shouldn't have been applied. I have considered each of these lending decisions.

First credit limit increase

Mrs A was offered a credit limit increase to £1,900 in July 2020, around five months after she had opened the account. NewDay gathered information about Mrs A's income and her credit repayments (including mortgage costs) and carried out a credit check. It also had information regarding Mrs A's account management for the previous months. Mrs A's net monthly income was assessed as £1,084. Her account management didn't raise concerns, with no overlimit or late fees applied. Given this and noting the size of the credit limit being offered, I find the checks carried out before the first credit limit was offered were proportionate.

Having looked through the information received through NewDay's checks regarding Mrs A's mortgage payments, costs of other credit commitments and an estimate of her living costs, this suggested the additional credit would be affordable for Mrs A. Therefore, I do not find I have enough to say that the first credit limit increase shouldn't have been provided.

Second credit limit increase

The second credit limit increase resulted in Mrs A's credit limit increasing to £3,150. Based on monthly repayments of 5% this would give monthly payments for this credit limit of around £158. Mrs A's account management showed that she had utilised the full amount of the additional credit provided from the first credit limit increase straight away and she then exceeded the credit limit in September, November and December 2020. While she did then bring the account within the credit limit it remained near the limit until March 2021. Mrs A's external non mortgage credit commitments recorded by one of the credit agencies had increased to £5,477 in the month before the credit limit increase was offered and then to £10,721 in the month the offer was made. While I note this balance reduced the following month, it is reasonable to consider the information available in the lead up to the limit increase. Mrs A's mortgage balance had also increased and while there were no recent missed payments recorded, this could suggest that Mrs A was struggling to maintain her regular payments.

Given the above, I think it was essential to ensure the data provided clearly supported Mrs A having sufficient disposable income to meet the increased repayments. Mrs A's net monthly income was assessed as £1,094. Her mortgage repayments were £269 and her payment to her credit cards was recorded as £313. Deducting these amounts and an amount for Mrs A's living costs gave an estimated disposable income of £169 before the credit limit increase. The additional credit being provided was £1,250 which based on 5% monthly repayments would decrease the disposable income to around £100. This is a low amount to accommodate any additional costs that weren't identified in the estimated living costs or unexpected or increase in costs.

On balance, considering Mrs A was on a relatively low income, had existing credit commitments that appeared to be increasing, I think the low disposable income should have raised concerns that providing this significant increase in Mrs A's credit limit wouldn't be sustainably affordable for her. Therefore, I uphold this complaint in regard to the second credit limit increase.

Third and fourth credit limit increase

I note NewDay's comment about Mrs A's estimated disposable income increasing after the second credit limit increase and while this was in part due to a slight increase in Mrs A's assessed monthly income, it is also due to a substantial drop in her mortgage payments despite the outstanding balance on Mrs A's mortgage not decreasing (and then increasing shortly after the third limit increase). Mrs A's non- mortgage debts were also increasing in the months following the second limit increase. Given this I do not find that the information gathered suggested that Mrs A's financial situation had significantly improved since the second limit increase and so I don't find that the subsequent increases should have been provided.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mrs A has complained about, including whether its relationship with her 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 A 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.

Putting things right

As I don't think NewDay should have increased Mrs A's credit limit above £1,900, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mrs A has had the benefit of the money she spent on the account so I think she should pay this back. Therefore, NewDay should:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £1,900 after 23 June 2021.
- If the rework results in a credit balance, this should be refunded to Mrs A 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 recorded after 23 June 2021 regarding this account from Mrs A's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,900, NewDay should arrange an affordable repayment plan with Mrs A for the remaining amount. Once Mrs A has cleared the outstanding balance, any adverse information recorded after 23 June 2021 in relation to the account should be removed from her credit file.

If NewDay has now sold the 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 A 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.

My final decision

My final decision is that NewDay Ltd trading as Marbles should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 6 June 2025.

Jane Archer
Ombudsman