

The complaint

Miss B complains that NewDay Ltd ('NewDay'), trading as Pulse, irresponsibly granted her a credit card account she couldn't afford to repay.

What happened

Miss B entered into an agreement with NewDay to have access to credit with a Pulse credit card account. The account was opened in June 2018 with an opening credit limit of £900. There was one credit limit increase: to £1,900 in August 2019.

Miss B says that NewDay didn't complete adequate affordability checks when it opened the accounts. She says if it had, it would have seen that the account wasn't affordable for her as she didn't have enough income to make repayments and already had mounting debt elsewhere.

NewDay looked into the complaint and agreed to uphold it from the date of the credit limit increase. I understand it has already provided a refund of charges, fees and interest relating to the limit increase to the third-party collection business that's now responsible for the outstanding balance on the account.

For the card opening though, NewDay says it carried out a reasonable and proportionate assessment to check Miss B's financial circumstances before granting the new account. Our investigator agreed that NewDay ought to have carried out better checks before increasing the credit. But he didn't think NewDay had acted unfairly in relation to the account opening or in any other way.

Since then, NewDay has clarified that it will be amending Miss B's credit file once the remaining outstanding balance has been paid.

As Miss B doesn't agree with our investigator's finding her complaint has been passed to me for a final 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

On her application Miss B stated she had an annual income of £22,000. The credit check showed she had a manageable level of debt in relation to income. There were no adverse markings on her credit file, save for a single missed payment from six months earlier. It also relied on statistical data to gain an indication of what her committed expenditure other than

credit was likely to cost her each month and to establish if the new account would be affordable.

I think that at this point NewDay had gathered a reasonable amount of information about Miss B's financial situation, from which the new account looked likely to be affordable. And I consider that at this early stage in the lending relationship there were no significant signs that Miss B might be at risk of getting into financial difficulty with the level of credit it intended to give her.

For these reasons, I don't think NewDay acted unfairly when approving Miss B's application for credit. I also think the offer NewDay has made for its uphold finding for Miss B's account from the point of the credit limit increase in August 2019 is a fair one that's in line with our approach to compensation in these cases. I should add here that I've seen that NewDay didn't originally confirm that it would be amending Miss B's credit file in due course, but has now done so.

I've also noted Miss B's responses to our investigator's findings. I realise she is unhappy with the redress offered but it is now consistent with our approach in cases like this. And, for the reasons I've set out above, I don't think NewDay acted unfairly in agreeing to open the account with the credit limit it offered. Nor do I consider there to be any issues arising from the outstanding debt having been passed to third party, given it's my understanding that the redress has been passed over to them.

I've considered whether the relationship between NewDay and Miss B might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Miss B or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I'm therefore part-upholding the complaint – that is, only in relation to the credit limit increase on the account.

Putting things right – what NewDay needs to do

- I understand that the compensation has already been sent to the third party now responsible for the outstanding sum remaining due on Miss B's account. The compensation reflects the fact that the credit limit increase should not have been provided. All late payment and over-limit fees should also be removed; and
- For any outstanding balance remaining on the account exceeding £900, once these adjustments have been made NewDay should contact Miss B to arrange an affordable repayment plan for the account. When Miss B has repaid the outstanding balance, NewDay should remove any adverse information recorded on her credit file after August 2019 in relation to the account.

My final decision

For the reasons I've set out above, I'm part-upholding Mrs B's complaint on the same basis as NewDay's offer. It should therefore put things right in the way I've set out above, if it hasn't done so already.

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

Michael Goldberg
Ombudsman

