

The complaint

Miss R complains, through her representative, that NewDay Ltd trading as TUI Mastercard ("NewDay") gave her a credit card and then increased her credit limit when she couldn't afford it.

What happened

I've summarised Miss R's card approval and credit limit increases in the table below.

Date	Event	Credit limit	Increased to
6 May 2019	Card approval	£1,000	-
8 December 2019	Credit Limit increase 1	From £1,000	£2,000
6 April 2020	Credit Limit increase 2	From £2,000	£3,500

Miss R had problems repaying the account and NewDay says it was sold to a third party in March 2023.

Following Miss R's complaint, NewDay issued a final response letter in June 2024 in which it gave reasons why the card approval and the credit limit increase were not lent irresponsibly. After the complaint had been referred to the Financial Ombudsman Service one of our investigator's issued a view to say NewDay shouldn't have lent at all because it knew from Miss R's credit check results that her monthly credit commitments exceeded her income.

Miss R's representative agreed with the outcome. However, no response has been received from NewDay since it received our investigator's assessment and so the unresolved complaint 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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Miss R was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Miss R, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time it provided the card and when it approved the credit limit increase for Miss R, and if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown. I'll also consider whether NewDay acted unfairly towards Miss R in some other way.

I want to be clear that this decision only deals with the TUI branded credit card – Miss R's complaint about another branded credit card has been dealt with separately.

The Financial Ombudsman Service has also not heard from NewDay so I don't know, what, if anything it thinks about the investigator's assessment.

NewDay says when it approved the credit card, it asked for Miss R's income which she declared to be £22,000 per year gross. It also says a credit search was carried out and the summary of the results it has provided showed, there were no defaults or other types of insolvency recorded such as County Court Judgements. It was told Miss R had missed a mortgage payment within the last six months but there were no accounts currently in delinquency.

So, it may have looked like Miss R could afford to repay and service this credit card – after all the minimum payments due on an account with a £1,000 credit limit would be modest.

However, I don't think NewDay ought to have approved the card. A net monthly income, on a gross income of £22,000 in May 2019 would give an estimated monthly income – after taxes of around £1,550 per month. But NewDay was told Miss R's credit commitments were £1,606 per month. Clearly, Miss R's credit commitments alone had exceeded her income before any other costs were considered.

The information about the credit commitments was available to NewDay at the time, which showed Miss R couldn't afford to take on any further credit. I've therefore concluded NewDay ought to not have approved the card.

As I've found NewDay ought to not have approved the credit card in the first place it therefore follows the credit limit increases shouldn't have been approved either. NewDay shouldn't have approved this card for Miss R and I've set out below what it needs to do in order to put things right for her.

I've considered whether the relationship between Miss R and NewDay might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for her 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 lent to Miss R's, I don't think it's fair for it to charge any interest or charges on the card. However, Miss R has had the benefit of all the money she spent on the account so I think she should pay this back.

NewDay has said it has sold the outstanding balance to a third party and so if it's able to, it should buy the debt back and carry out the actions below. If it can't buy the debt back then it should liaise with the new debt owner to achieve the results below. In order to put things right NewDay should;

- rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balance since the start of the account.
- If the rework results in a credit balance, this should be refunded to Miss R 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 about this account from Miss R's credit file.

- Or, if after the rework an outstanding balance remains due still, NewDay should arrange an affordable repayment plan with Miss R for the remaining amount. Once Miss R has cleared the outstanding balance, any adverse information recorded in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Miss R a certificate showing how much tax it 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 I uphold Miss R's complaint.

NewDay Ltd trading as TUI Mastercard should put things right for Miss R as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 18 June 2025.

Robert Walker
Ombudsman