

## **The complaint**

Mrs W complains that NewDay Ltd irresponsibly lent to her.

Mrs W is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mrs W herself.

## **What happened**

Mrs W applied for a branded NewDay credit card in December 2018. The application was accepted, and a credit limit of £500 was given to her. The credit limit was increased to £1,100 in January 2020. Mrs W says that NewDay irresponsibly lent to her. Mrs W made a complaint to NewDay, who did not uphold the complaint about the NewDay brand she brought to our service.

Mrs W brought her complaint to our service. Our investigator did not uphold Mrs W's complaint. She said NewDay's checks were proportionate and they made fair lending decisions.

Mrs W asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she already had significant debt at the time the branded NewDay card was approved. Mrs W said that at the time of the credit limit increase the unsecured debt had escalated further, and NewDay should have assessed her income through more thorough methods. She said she subsequently defaulted on two agreements in 2022.

## **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.

While Mrs W's final response letter from NewDay covers another branded credit card, Mrs W's submission to our service only names the brand I am addressing in this decision, therefore I have not made a finding on the separate brand that is not named on her submission. But I do note that NewDay investigated irresponsible lending for the separate brand, and upheld a complaint for the brand I'm not investigating in this decision. They broadly settled that complaint in line with how I would have asked them to if I had investigated it and upheld it.

Before agreeing to approve or increase the credit available to Mrs W, 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 of the branded NewDay credit card*

I've looked at what checks NewDay said they did when initially approving Mrs W's application for the account. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mrs W had provided before approving her application. The information showed that Mrs W had declared a gross annual income of £24,000.

NewDay also completed an affordability calculation. They used a mixture of modelling and information from a CRA to estimate Mrs W's outgoings. The CRA told NewDay Mrs W's credit commitments were £279 a month.

The checks also showed that Mrs W had no defaults or County Court Judgements being reported by the CRA. She had no arrears showing on any of her accounts, and there were no arrears showing in the six months prior to the application checks. So it didn't appear Mrs W was having financial difficulty at the time of the checks.

The data showed Mrs W was not on any repayment plans on any of her accounts and she had no payday lending when NewDay completed their checks. Mrs W had a debt to gross annual income of 25.42% which would have equated to around £6,100.80. The new credit limit would have equated to just over 2% of her declared gross annual income.

Based on the information NewDay received from their checks, I'm persuaded that their checks were proportionate, and that they made a fair lending decision to approve the £500 credit limit.

#### *January 2020 credit limit increase - £500 to £1,100*

Mrs W's unsecured debt had increased since the last lending decision. At the time of the checks for this lending decision her unsecured debt was showing as £30,127. It appears the reason for this increase was due to Mrs W taking out a personal loan/hire purchase agreement since the last lending decision. So as this offered fixed repayments which the CRA informed NewDay how much Mrs W was paying each month for her credit commitments, they were able to include this amount into their affordability calculations.

I do note from the information the CRA's gave NewDay, that her revolving outstanding balances (which would include things such as credit cards/store cards/overdrafts etc) at the time of the checks were £1,561, which was not substantially different to what her revolving outstanding balances were prior to Mrs W taking out the third party loan. So she hadn't increased her credit card balances substantially between lending decisions.

In the month Mrs W's new loan was being reported by the CRA's, she was showing revolving credit limits of £1,700, and this was the same revolving limit she had since the NewDay account had been opened.

One of the CRA's reported that Mrs W had been in arrears on an external account prior to this lending decision. So this could be a sign of financial difficulty. But it also could have been an oversight. Here it appears to be an oversight. I say this as Mrs W cleared the arrears the following month and this was the only time this happened since the NewDay account had been opened. I also note that Mrs W's overall unsecured debt fell in the month after this happened so Mrs W was not only able to service her debt, but she was able to reduce this also.

NewDay would have also been able to see how Mrs W managed her NewDay account since it had been opened. She had not incurred any late fees, or overlimit fees since the account had been opened. While on occasion she attracted cash transaction fees, I'm mindful that this is a legitimate use of the account, and it didn't appear to be excessive.

Mrs W often made three figure repayments to her account when her credit limit was £500, which could suggest she had the affordability to sustain repayments for a £1,100 credit limit. So I'm persuaded that NewDay's checks were proportionate here and they made a fair lending decision to increase her credit limit.

I have considered what Mrs W has said about her financial difficulties and her subsequent defaults on accounts in 2022, and I'm sorry to hear this. But as this lending decision was in January 2020, I'm not persuaded that Mrs W's future financial difficulty and subsequent defaults would have been foreseeable to NewDay at the time.

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 Mrs W 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. So it follows I don't require NewDay to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 12 June 2025.

Gregory Sloanes  
**Ombudsman**