

The complaint

Mrs M complains that NewDay Ltd have irresponsibly lent to her.

What happened

Mrs M was approved for a NewDay branded credit card in November 2020 (which I will refer to as A in this decision). A was approved with a £600 credit limit. I have detailed the credit limit increases for A below:

March 2021	£600 to £1,350
July 2021	£1,350 to £2,350
November 2021	£2,350 to £3,350
March 2022	£3,350 to £4,100
July 2022	£4,100 to £5,100

Mrs M was approved for another NewDay branded credit card in October 2022 (which I will refer to as B in this decision). B was approved with a £900 credit limit. I have detailed the credit limit increases for B below:

February 2023	£900 to £1,500
June 2023	£1,500 to £2,250

Mrs M says that NewDay irresponsibly lent to her. Mrs M made a complaint to NewDay, who did not uphold her complaint. They said the lending was provided responsibly. Mrs M brought her complaint to our service.

Our investigator did not uphold Mrs M's complaint. He said NewDay should have made further checks for the credit limit increases, but as Mrs M didn't provide him with her bank statements, he couldn't say what further checks would show, therefore he couldn't say the lending was unfair.

Mrs M asked for an ombudsman to review her complaint. She said NewDay continued to raise the interest rate on the accounts, and she was struggling to make the repayments.

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.

Before agreeing to approve or increase the credit available to Mrs M, 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 for A

I've looked at what checks NewDay said they completed prior to accepting Mrs M's application. I'll address the further lending decisions later on. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mrs M had provided before approving her application.

The information showed that Mrs M had declared a gross annual income of £30,000. The CRA reported that Mrs M had previously defaulted on at least one account. The last default was registered 14 months prior to the application checks.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what NewDay's other checks showed to see if they made a fair lending decision here.

Mrs M was not showing as being in arrears on any of her active accounts at the time of NewDay's application checks for A. The CRA also reported she hadn't been in arrears on any of her active accounts in the six months prior to NewDay's checks. And the CRA did not report any public records such as a County Court Judgement (CCJ) on her credit file.

Mrs M was showing as having an active debt to gross annual income of 1.39%, which would have equated to her having around £417 of active unsecured debt. NewDay also completed an affordability assessment using information from the CRA's and modelling to assess Mrs M's outgoings. The affordability assessment showed that the repayments for a £600 initial credit limit should be affordable and sustainable for Mrs M.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve A, and to provide Mrs M with a £600 credit limit.

March 2021 credit limit increase on A - £600 to £1,350

I've looked at the data NewDay had available to see if they were fair to increase the credit limit on A here. A CRA reported that Mrs M had active unsecured debt of £2,507. While this was higher than what it was at the account opening stage, Mrs M's active unsecured debt to gross annual income ratio was around 8.4%, so it would not appear she was overindebted at the time of these checks.

Mrs M was not in any arrears on her active external accounts, and she hadn't been in arrears on her active external accounts since A had been opened. NewDay would have also been able to see how Mrs M operated A since it had been opened.

Mrs M incurred no overlimit or late fees on A, and she made repayments of £100+ each month she was required to make a repayment, which was far higher than her requested minimum repayment. So I wouldn't expect Mrs M would be able to make much higher repayments if she was struggling financially at the time.

So I'm persuaded that NewDay's checks were proportionate, and they made a fair lending decision here.

July 2021 credit limit increase for A - £1,350 to £2,350

A CRA reported that Mrs M's active unsecured debt was £3,988 at the time of the checks for

this lending decision. So her active debt to her originally declared gross annual income would have been around 13.3%.

Mrs M again was not in arrears on any of her external active accounts, and she hadn't been in arrears since the last lending decision. Mrs M again incurred no late or overlimit fees on A since the last lending decision. Each month she repaid at least £169 towards A, which was a lot higher than her requested minimum repayment, so it could appear that Mrs M could sustain affordable repayments for a £2,350 credit limit.

So I'm persuaded that NewDay's checks were proportionate, and they made a fair lending decision here.

November 2021 credit limit increase on A - £2,350 to £3,350

Mrs M's active unsecured debt had significantly increased since the last lending decision, as a CRA reported it to be £14,304. Mrs M had no active unsecured debt accounts in arrears since the last lending decision.

Mrs M again incurred no overlimit or late fees on A since the last lending decision. But based on her active unsecured debt almost quadrupling in only a few months since the last lending decision, I'm persuaded that NewDay should have completed further checks to ensure the lending was affordable and sustainable for Mrs M.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Mrs M to ask her why her active unsecured debt had increased by so much within a short period of time. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

I asked Mrs M if she could provide her bank statements for the three months leading up to this credit limit increase. The statements Mrs M sent were not for the full three month period. Mrs M also appeared to have a number of other accounts based on transactions that the limited statements showed, and while this bank account showed she received child benefit income, it didn't show any regular salary on the statements Mrs M sent.

From the statements Mrs M sent, they show a three figure credit balance on each statement screenshot, and there were no returned direct debits. Mrs M also transferred money to a provider who offers savings accounts. So it's possible she had disposable income to save also. So to get a fuller picture of Mrs M's financial situation leading up to this lending decision, I asked Mrs M to send me her other statements that she was named on leading up to this lending decision. But Mrs M did not provide these by the deadline I set.

So on the face of it, it does look like NewDay should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that NewDay should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mrs M hasn't provided me with all of the information I asked from her, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

March 2022 credit limit increase on A - £3,350 to £4,100

Mrs M's active unsecured debt had increased since the last lending decision, as a CRA reported it to be £18,477. Mrs M again had no active unsecured accounts in arrears since the last lending decision.

Mrs M again incurred no overlimit or late fees on A since the last lending decision. Mrs M made several repayments which far exceeded her minimum requested repayment. In the three months leading up to this lending decision, she made total monthly repayments of £100, £320 and £2,500, which I wouldn't expect Mrs M to be able to make consistently higher repayments if she was struggling financially leading up to this lending decision.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision.

July 2022 credit limit increase on A - £4,100 to £5,100

Mrs M's active unsecured debt had fallen since the last lending decision, as a CRA reported it to be £16,733. So this could suggest that not only could Mrs M service her unsecured debt, but she may have had disposable income to reduce this also. Mrs M had no active unsecured accounts in arrears since the last lending decision.

Mrs M again incurred no overlimit or late fees on A since the last lending decision. Every month she was required to make a repayment, her total repayments for the month were no lower than £354.84, and she made repayments between £550-£725.01 every other month since the last lending decision, so again, I wouldn't expect Mrs M to consistently make repayments which far exceeded her credit limit if she was struggling financially leading up to this lending decision.

So I'm persuaded that NewDay's checks for this lending decision were proportionate, and they made a fair lending decision here.

Acceptance for B

I've looked at what checks NewDay said they completed prior to accepting Mrs M's application. NewDay again said they looked at information provided by CRA's and information that Mrs M had provided before approving her application.

The information showed that Mrs M had again declared a gross annual income of £30,000. The CRA reported that Mrs M had previously defaulted on at least one account. The last default was registered 49 months prior to the application checks. But as I've said earlier in this decision, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what NewDay's other checks showed to see if they made a fair lending decision here.

Mrs M was not showing as being in arrears on any of her active accounts at the time of NewDay's application checks for B. The CRA also reported she hadn't been in arrears on any of her active accounts for the six months prior to NewDay's checks. And the CRA did not report any public records such as a County Court Judgement (CCJ) on her credit file.

Mrs M was showing as having an active debt to gross annual income of 60.77%, which would have equated to her having around £18,231 of active unsecured debt. Mrs M also incurred a late fee on A between the last credit limit increase, and B being approved.

Based on the active unsecured debt Mrs M had, and because NewDay did not complete an affordability assessment for this lending decision, I'm persuaded that they should have made further checks to ensure that Mrs M could make sustainable and affordable repayments for the £900 credit limit.

As I've mentioned before, there's no set way of how NewDay should have done this. So I

asked Mrs M to provide me with her external account statements leading up to this lending decision. Again the information Mrs M sent is limited, not covering the full three month period I asked her to provide. While child benefit income is showing, it's apparent that she has other accounts in her name.

The limited statements Mrs M provided often show a three figure credit balance, and again there were no returned direct debits, and there was no unarranged overdraft usage, but to get a fuller picture of Mrs M's financial circumstances leading up to this lending decision, I asked her to provide any statements she was named on for the full three months leading up to this lending decision. But again Mrs M didn't provide these by the deadline set.

So on the face of it, it does look like NewDay should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that NewDay should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mrs M hasn't provided me with all of the information I asked from her, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

February 2023 credit limit increase on B - £900 to £1,500

A CRA reported that Mrs M's active unsecured debt was at £32,361, which was significantly higher than when B was opened, and she would have an active debt to gross income ratio of around 107.9% based on her declared gross income when she applied for B.

Mrs M had no active external accounts in arrears since B had been opened, and she incurred no late or overlimit fees on B since it had been opened. It's also likely that NewDay would have been able to see Mrs M incurred a late fee on A in the February 2023 data, as the date of the information on A appears to have been collected four days earlier than B

But even if this wasn't showing to NewDay at this point in time, based on the increasing level of active unsecured debt since B had been opened, I'm persuaded that NewDay should have completed further checks to ensure that Mrs M could make sustainable and affordable repayments for a £1,500 credit limit, so I again asked her for her statements leading up to this lending decision.

The statements Mrs M provided were again limited as they didn't cover the full three months I asked her to provide. The limited statements showed no signs of financial difficulty, but it was again apparent that Mrs M had other accounts she was named on. So I asked her to provide the statements which she was named on for the three month period leading up to this lending decision, but Mrs M didn't provide these by the deadline I gave her.

So again, it does look like NewDay should've looked more closely into this. But I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mrs M hasn't provided me with all of the information I asked from her, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

June 2023 credit limit increase on B - £1,500 to £2,250

A CRA reported that Mrs M's active unsecured debt had fallen to £20,397 between the last lending decision checks and these lending decision checks, which could suggest that Mrs M had the disposable income to be able to reduce her overall active unsecured debts.

Mrs M incurred no late or overlimit fees on either A or B since the last lending decision on B,

and she wasn't in arrears on any external active accounts at the time of these checks. Mrs M was making at least double her required repayment each month since the last lending decision and these lending decision checks. So I'm persuaded that NewDay's checks here were proportionate, and they made a fair lending decision to increase the credit limit on B to £2,250.

I've considered what Mrs M has said about the interest rate rising and her struggling to afford repayments on the account. But if Mrs M believes NewDay have acted outside of the credit agreement in how they've changed the interest rate on either account she'd need to make a complaint to NewDay directly for them to investigate this first. If she is dissatisfied with their response then she may be able to bring this separate complaint to our service.

I would urge Mrs M to contact NewDay directly if she is unable to afford her repayments on either A and/or B. I would expect them to show her forbearance and let her know the impact any arrangement would have on her credit file. Again, if Mrs M is dissatisfied with how NewDay act during this process, then should make a complaint directly to NewDay, and if she treat her during

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 M 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.

My final decision

I do not uphold this complaint.

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

Gregory Sloanes
Ombudsman