DRN-5588952

The complaint

Mr L complains NewDay Ltd trading as BIP (NewDay) failed to carry out reasonable credit checks before approving a credit account for him.

What happened

Mr L says NewDay approved a credit account for him at a time when he already had high levels of external revolving credit, which he was only making the minimum monthly payments. Mr L says if NewDay had carried out more thorough checks it would have seen the new borrowing was unaffordable and unsustainable.

Mr L wants NewDay to refund all interest and charges on the credit account along with 8% simple interest and remove any adverse data on his credit file relating to this account.

NewDay says it's a responsible lender and offers credit to those with perhaps a less than perfect credit record. NewDay says it offers credit limits to customers with the intention to increase these over time, subject to good account management, to assist customers in building their credit standing. NewDay says while there was a default registered against Mr L, this was approaching two years old and his external borrowing had been well managed since that time.

NewDay says it carried out a detailed assessment using information contained within Mr L's application, information from credit reference agencies (CRA's) and its own affordability assessment. NewDay says its affordability assessment showed Mr L had a strong net disposable income and it was satisfied the new credit card borrowing of £1,200 was affordable and it had lent responsibly here.

Mr L wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says there are no set list of checks lenders like NewDay must carry out but these should be borrower focused. The investigator says from the information she had seen NewDay had carried out an affordability assessment based on information from Mr L's application and CRA data. The investigator says this showed Mr L had a net disposable income (NDI) of around £700 per month with no recent adverse information.

The investigator says while there was a default registered, this was approaching two years ago and was not representative of Mr L's financial situation at the time he applied for the credit account.

The investigator felt there was nothing she had seen that raised concerns about Mr L's financial situation, nor did she feel it was necessary for NewDay to obtain additional financial information from him, such as bank statements or a detailed income and expenditure profile.

The investigator felt NewDay had carried out reasonable and proportionate checks and its lending decision was fair.

Mr L didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear that Mr L has experienced financial problems and that must be upsetting for him. When looking at this complaint I will consider if NewDay carried out reasonable and proportionate financial checks before it approved the credit facility for Mr L.

Mr L's complaint centres around the fact he believes NewDay should have undertaken a more thorough financial background check, before approving the credit account in February 2022 with a limit of £1,200. Mr L feels NewDay should have demanded sight of his bank statements and an income and expenditure profile before approving the credit account.

While I understand the points Mr L makes here, I'm not fully persuaded by his argument and I will go on to explain why.

From the information I have seen NewDay carried out an affordability assessment using information contained within Mr L's credit application and credit data from recognised CRA's. I can see this showed Mr L had a declared income of £26,000, which it verified by using industry standard data sources and its affordability modelling showed Mr L after all essential expenditure, had a net disposable income of around £700 per month.

I can also see from the CRA information there were no recorded missed payments, reportable arrangements or CCJ's and while there was a default registered, this was approaching two years earlier, with no obvious signs of financial pressure since that time.

As the investigator pointed out, there are no set list of checks lenders like NewDay must carry out and it's not for me to tell NewDay what those checks must consist of, or where the information sources must come from. That said I would expect any checks to be borrower focused, taking into account the amount, cost, type and term of any lending and I'm satisfied that is what NewDay did here, given the relatively small limit it approved and his existing debt to income ratio.

It's reasonable to say I wouldn't expect NewDay here to carry out the same level of extensive financial due diligence one might expect to see for say a large long term loan commitment. So with that in mind, I am satisfied given the checks it had undertaken, there was no need for NewDay to ask for additional financial information from Mr L before it approved the £1,200 credit limit, as its affordability assessment indicated this level of borrowing was affordable and sustainable.

I should also mention here that NewDay provide credit to consumers with perhaps a less that perfect credit background and offer relatively modest initial credit limits. So simply because Mr L had a historic default, that wouldn't be a reason in itself for NewDay to decline any borrowing request or to carry out a much more comprehensive financial assessment than it did here.

So on balance, I am satisfied the checks NewDay carried out were reasonable and proportionate and its decision to lend, based on the data it relied on was fair.

I’ve also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr L has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I’ve not seen anything that makes me think this was likely to have been the case.

While Mr L will be disappointed with my decision, I won’t be asking anymore of NewDay.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 25 September 2025.

Barry White
Ombudsman