DRN-5601185

The complaint

Mr D complains that NewDay Ltd (NewDay) acted irresponsibly in agreeing to a credit card account and subsequent credit limit increases.

In bringing his complaint Mr D is represented by a third party. For ease of reading I will only refer to Mr D in my decision.

What happened

In August 2019 Mr D applied for a credit card with NewDay. His application was successful and NewDay issued a credit card with a £500 credit limit. The following month Mr D asked for his credit limit to be increased to £600 and NewDay agreed. NewDay increased Mr D's credit limit further incrementally. September 2020 to £1,600, January 2021 to £2,850, August 2021 to £3,850 and March 2022 to £4,350. Mr D said he struggled to meet his repayments and had NewDay properly checked they would have seen the lending wasn't sustainable. He complained to NewDay.

NewDay said their checks had been reasonable and proportionate. They'd used Mr D's application, credit reference agency (CRA) and statistical data to assess the affordability of the lending. They said their checks showed no signs of financial vulnerability such as defaults or county court judgments. Mr D was managing his active credit commitments. And wasn't using any short-term lending to manage his finances. Based on these checks they said each of their lending decisions had been fair.

Mr D wasn't happy with NewDay's response and referred his complain to us.

Our investigator said NewDay had acted fairly. They said for the type and amount being borrowed NewDay's checks were reasonable and proportionate. And their decision to lend was fair, they didn't ask NewDay to do anything further.

Mr D disagreed and asked for an ombudsman 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.

While I empathise with Mr D for me to say NewDay must do something different I must first be satisfied that they've done something wrong. I can't say that they have here which is why I won't be asking them to do anything else. I'll explain my reasoning for this.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before NewDay offered the account they needed to complete reasonable and proportionate checks to be satisfied Mr D would be able to repay the debt in a sustainable way.

In deciding what was proportionate NewDay needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that NewDay was providing Mr D with a revolving credit facility rather than a loan. This means there isn't a fixed weekly/monthly amount that had to be repaid, rather any repayment was based on the credit card monthly usage and any outstanding balance. NewDay was approving a credit limit of £500. While its revolving credit with no fixed amount to be repaid each month CONC says a lender should assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. So, I think NewDay could have reasonably assumed Mr D would need to be able to sustain a monthly repayment of around £25 to clear the full amount owed within a reasonable period.

CONC says a lender needs to take reasonable steps to estimate a consumer's income and outgoings. And shouldn't rely solely on the income declared by the consumer but seek verification through an independent source such as a CRA or third party. CONC also provides for a lender to use statistical data in assessing a consumer's outgoings. So, I've considered the checks NewDay did.

NewDay said they used Mr D's application data and cross checked this with a CRA. Mr D declared he'd an annual income of £34,000, NewDay considered this to £1,986.50 a month. NewDay assessed Mr D has having a disposable income of £970.81 after factoring in outgoings for credit commitments, housing and cost of living expenditure. NewDay's CRA check also showed Mr D was manging his active credit commitments well and his overall indebtedness was low. Given the type and amount of borrowing NewDay was providing I'm satisfied their checks were reasonable and proportionate, and based on these checks they made a fair lending decision.

Mr D asked the following month for the credit limit to be increased by £100, an additional £5 a month if fully drawn down. Given the recent checks and findings, I'm satisfied NewDay acted fairly in agreeing to the credit limit increase.

Around September 2020 NewDay increased Mr D's credit limit by £1000 to £1,600. NewDay has shown they did the same checks. NewDay also had the information about how Mr D was managing his credit card account with them. While I can see Mr D went slightly over his credit limit of £600 a couple of times in the preceding 12 months and incurred over the limit fees, I can also see that after this he paid more than the minimum amount required each month. The minimum required in the preceding six months was around £135, with Mr D repaying around £453. Given the amount, if fully drawn down would be an additional £50 I think NewDay's checks were reasonable and proportionate. And I'm satisfied they made a fair lending decision.

Around January 2021 NewDay increased Mr D's credit limit by a further £1,250, an additional, if fully drawn down, monthly amount of £62.50. Again, NewDay did a CRA check and used statistical data to assess Mr D's credit worthiness. This showed he'd a household income of £4,426. Outgoings comprising of rent £525, loan £129, credit commitments £295 and cost of living £949.

CONC allows a lender when estimating income to consider income from "*savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the* *agreement….”.* So its not unreasonable for a lender to consider available household income.

NewDay also had the information about Mr D’s credit card account management. While this showed Mr D had utilised most of his credit limit over a relatively short period, he also continued to repay more than the minimum amount required. Over the preceding four months Mr D was required to pay around £145 and actually paid around £1,220. While overpayment doesn’t necessarily prove the lending is affordable. Together with their other checks I think given the type and amount of borrowing being provided NewDay’s checks were reasonable and proportionate. I don’t think that there was anything immediately obvious in the information that NewDay had, including Mr D’s existing credit, which meant they shouldn’t rely on it. So, I don’t think NewDay should have asked Mr D to provide further evidence in support of their expenditure such as bank statements, before providing them with a credit limit in this instance. And based on these checks they made a fair lending decision as Mr D should have had sufficient disposable income to sustain his repayments.

Around August 2021 NewDay increased Mr D’s credit limit by a further £1,000 to £3,850, if fully drawn down a further £50 a month to repay within a reasonable timeframe. NewDay did the same checks and assessed Mr D as having a household income of £3,972 a month. Outgoings, rent £525, loan £361, credit commitments £570 and cost of living £903. Before factoring in the new lending NewDay assessed Mr D as having a disposable income of around £1,613 a month. Mr D regularly paid more than his monthly required repayment. While this reflected the checks NewDay had previously made I can also see from these checks that Mr D’s overall indebtedness had increased significantly. At the previous credit limit increase Mr D had revolving credit of around £7,000 which had since increased to around £17,000. Mr D’s non-revolving credit had been around £3,000 and had since increased to around £10,500. This would appear to show Mr D was becoming more reliant on credit. Which I think should have prompted NewDay to check further into Mr D’s financial position.

This doesn’t mean NewDay shouldn’t have lent to Mr D only that they should have done further checks. I wouldn’t generally expect a business to ask a consumer to provide bank statements but for our purposes these are a good indicator of Mr D’s income and expenditure.

Mr D has provided his bank statements for prior to the credit limit increase around August 2021. I can see from these that he’d a joint account with an average household income including his and his partner’s salaries and benefit of around £3,500. For non-discretionary spending (including his NewDay credit card repayment for his existing credit limit), Mr D had outgoings of around £2,500 a month which should leave him sufficient disposable income to sustain the additional credit limit of around £50 a month. So, I’m satisfied had NewDay checked further they would have still lent to Mr D as he’d sufficient disposable income to sustain the repayments. In considering Mr D’s bank statements I’ve also looked for any signs of financial vulnerability such as unpaid direct debits and persistent use of any overdraft. Apart from using his overdraft facility just prior to salaries being paid in I haven’t seen any sign of financial distress. So, I’m satisfied NewDay made a fair lending decision.

Around March 2022 NewDay increased Mr D’s credit limit by a further £500, an additional £25 a month if fully drawn down. NewDay did the same checks and assessed Mr D as having a household income of £3942. Outgoings of rent £350, loan £476, credit commitments £677 and cost of living £870, which should have left Mr D with a disposable income of around £1,569. From the management of Mr D’s account I can see he maintained his repayments in the main paying the minimum required. And his overall debt for revolving credit had reduced by around a £1,000 but his non-revolving credit had increased by around the same amount. So, I can’t say that Mr D’s financial circumstances had worsened.

Mr D has provided his bank statements for prior to the credit limit increase. His average household income had reduced to around £3,400. His non-discretionary outgoings (including existing NewDay credit card payments) had increased to around £3,000. I can also see transfers into the account from both Mr D and his partner, so I can say, on balance, Mr D had access to other funds. Taking all this into account I think Mr D should have had sufficient disposable income to sustain his repayments for the additional £25 a month. So, I'm satisfied had NewDay checked further they would have still increased Mr D's credit limit.

I appreciate my decision will be a disappointment to Mr D, but I hope he takes some assurance that I've considered his complaint within my reasoning.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr D or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else, would given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 September 2025.

Anne Scarr
Ombudsman