

The complaint

Mrs T complains that NewDay Ltd trading as Pulse lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Mrs T applied for a Pulse credit card in August 2014. Pulse has explained that due to the passage of time, no application data showing Mrs T's income or circumstances remains on file. Pulse approved Mrs T's application and issued a credit card with a £1,000 limit. Mrs T used the credit card and Pulse went on to increase the credit limit as follows:

Event	Date	Limit
App	Aug-14	£1,000
CLI1	Mar-15	£1,500
CLI2	Oct-15	£2,100
CLI3	Oct-16	£3,150
CLI4	Apr-17	£4,400
CLI5	Dec-17	£5,900
CLI6	Jun-18	£7,900

Mrs T continued to use the credit card and it was ultimately repaid in July 2024. Last year, Mrs T complained that Pulse lent irresponsibly and it issued a final response. Pulse said it had carried out the relevant lending checks before approving Mrs T's application and didn't agree it lent irresponsibly.

An investigator at this service upheld Mrs T's complaint. As no evidence of the lending checks Pulse completed were provided, the investigator wasn't able to reach a conclusion on whether it lent responsibly or not. In the absence of application evidence from Pulse, the investigator asked Mrs T for bank statements showing her regular income and outgoings in the months before Pulse's decision. The investigator found Mrs T was in receipt of benefit income only in the months before her application was approved. The investigator also found Mrs T's regular income was almost entirely taken up by her outgoings. The investigator wasn't persuaded that Pulse lent responsibly so upheld Mrs T's complaint and asked it to refund all interest, fees and charges applied from the date of approval.

Mrs T responded to the investigator's view of her complaint to confirm she was willing to accept. We didn't hear back from Pulse, so Mrs T's complaint has been passed to me to make a 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.

Before agreeing to lend or increasing the credit limit, the rules say Pulse had to complete reasonable and proportionate checks to ensure Mrs T could afford to repay the debt in a

sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As noted above, because of the passage of time, Pulse hasn't retained a copy of the original application or lending checks it completed in August 2014. As a result, I've been unable to reach a conclusion about whether Pulse carried out reasonable and proportionate lending checks before deciding to approve Mrs T's application. In the absence of application evidence from Pulse, I agree with the approach taken by the investigator to review Mrs T's bank statements from the months before her application was approved to get a clearer picture of her circumstances.

The bank statements available are in joint names so I've taken the approach of looking at the total income and outgoings when considering what Pulse would've seen. I can see that whilst there are some low level transfers into the account, the regular income was made up of different benefits. Whilst I wasn't able to see any payments for rent or a mortgage, the bank statements did include regular payments and direct debits for items like communications, other debts, utilities, food and insurance. I found that Mrs T had little to no disposable income each month after covering her existing outgoings. On average, I found Mrs T had around £40 a month after covering her existing expenses. In my view, that figure is too low for Mrs T to have been able to sustainably afford repayments to a new credit card with a £1,000 limit.

I haven't seen anything that shows the credit card became more affordable for Mrs T over time or that the credit limit increases were reasonably approved.

Having considered the available information, I'm upholding Mrs T's complaint and directing Pulse to settle by refunding all interest, fees and charges applied to her account from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs T 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.

My final decision

My decision is that I uphold Mrs T's complaint and direct NewDay Ltd trading as Pulse to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.

- If the rework results in a credit balance, this should be refunded to Mrs T 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 regarding this account from Mrs T's credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mrs T for the remaining amount. Once Mrs T has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If NewDay has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs T a certificate showing how much tax 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 16 July 2025.

Marco Manente
Ombudsman