

The complaint

Mrs D complains that NewDay Ltd didn't sufficiently check whether she could sustain the repayments before they agreed to lend to her.

What happened

In September 2020 Mrs D applied for a credit card with NewDay. Her application was successful and NewDay issued her with a credit card with a credit limit of £450. NewDay increased Mrs D's credit limit incrementally in April 2021 to £1,450, in August 2021 to £2,700 and in December 2021 to £3,950. Mrs D said the speed at which NewDay increased her credit limit caused her to struggle with the repayments. And that NewDay hadn't sufficiently checked whether she could sustain the repayments before they lent to her. She complained to NewDay.

NewDay said they'd used Mrs D's application, credit reference agency (CRA) and statistical data to determine whether she could afford the repayments. They also checked their internal data for each of the subsequent credit limit increases. Based on these checks they said Mrs D had sufficient disposable income to sustain her repayments, so their lending decisions had been fair.

Mrs D wasn't happy with NewDay's response and referred her complaint to us.

Our investigator said the checks NewDay did for the initial account opening and first credit limit increase had been reasonable and proportionate. And based on these checks their lending decisions had been fair. But found that they should have carried out further checks into Mrs D's finances for the second and third credit limit increases. After reviewing Mrs D's bank statements our investigator said Mrs D should have had sufficient disposable income to sustain the repayments. And so didn't ask NewDay to do anything differently.

Mrs D disagreed she said it had been shown NewDay's checks were insufficient. And the income used in our investigator's assessment was inflated after she'd received a bonus payment. Mrs D 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 Mrs D, for me to say NewDay must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I'll explain why.

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:

1. Did NewDay complete reasonable and proportionate checks to satisfy themselves that Mrs D would be able to repay the credit in a sustainable way?

a. if so, did NewDay make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mrs D could sustainably repay the borrowing.

2. Did NewDay act unfairly or unreasonably in some other way?

What's important to note is that NewDay was providing Mrs D with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month, the monthly repayment is based on the transactions made and any outstanding balance. When assessing a consumer's credit worthiness, CONC requires a lender to assume the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. As NewDay was approving a credit limit of £450 I think they could have reasonably assumed Mrs D would need to be able to repay around £22.50 a month to clear the full amount owed within a reasonable period.

There isn't a set list of checks a lender has to do but In deciding what's 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. CONC says a lender should take reasonable steps to estimate the income and non-discretionary spending of a consumer. And allows for the use of statistical data to determine a consumers non-discretionary spending. I've looked at what checks NewDay said they did when initially approving Mrs D's application.

NewDay said they looked at information provided by Mrs D in her application which they cross checked with a CRA, her credit history and used statistical data for her day to day living costs. The information showed Mrs D had a declared gross annual salary of £18,750 which NewDay considered to be £1,305.80 a month. NewDay's checks showed Mrs D had adverse information recorded on her credit history having had a default registered some 30 months prior to her application. And a public record registered some 43 months prior to her application. Mrs D has told us she'd a county court judgment made against her in 2017.

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 – it doesn't automatically mean that a lender won't offer borrowing. Here, NewDay considered the information that Mrs D had on her credit file, which showed her financial difficulties were historic being around 30 months prior to her application. NewDay decided to lend which, in the circumstances, I think was reasonable as their checks showed Mrs D was now managing her finances well.

So, I'm satisfied that the checks NewDay carried out here, prior to approving the initial £450 credit limit were proportionate. Anything more such as requesting bank statements would have been disproportionate for the type and amount of credit being provided.

Based on these checks NewDay's credit worthiness assessment showed Mrs D's monthly outgoings comprised, cost of living - £421.79, credit commitments - £212.40 and housing costs - £265.93, which meant Mrs D should have had a disposable income of £388.39, sufficient to sustain a repayment of around £22.50 a month. So, I think NewDay made a fair lending decision to approve Mrs D's application.

I've looked at the information available to NewDay when they increased Mrs D's credit limit by a further £1,000. Added to the information that NewDay had from the CRA including an income check through a current account turnover check, they could also see how Mrs D managed her credit card account. And this showed that Mrs D was managing her credit card

account well, Mrs D was paying more than the minimum required payment each month with no evidence of any missed payments or over the limit charges. No further adverse information had been added to the default and public record that NewDay was already aware of from their previous checks.

From the information NewDay obtained including Mrs D's existing credit, there wasn't anything immediately obvious which meant NewDay shouldn't rely on it. I don't think NewDay should have asked Mrs D to provide further evidence in support of her expenditure such as bank statements, before providing her with a credit limit increase as I'm satisfied that the checks NewDay carried out here, prior to approving the credit limit increase of £1,000 were proportionate.

The increased limit would have meant Mrs D would be indebted by around £50 more each month if she again drew down the full amount. I can see Mrs D regularly paid more than this amount each month. And I haven't seen any evidence that Mrs D was struggling financially such as missed payments or over the limit fees. So, I'm satisfied NewDay made a fair lending decision.

In August 2021 NewDay increased Mrs D's credit limit by a further £1,250 a month to £2,700 and in December 2021 again by a further £1,250 a month to £3,950. NewDay has shown they carried out similar checks as they'd done before. But I agree with our investigator I think NewDay should have done more checks than before as I think they were significantly increasing the amount being lent to Mrs D over a relatively short time.

While I think NewDay should have done more checks this doesn't automatically mean NewDay shouldn't have lent to Mrs D, only that I think they should have looked into her financial circumstances further. So, I need to see what they would have found if they had. I don't necessarily expect this to have been done by obtaining Mrs D's bank statements, but for our purposes these are a good indicator of Mrs D's finances.

I've looked at Mrs D's bank statements for the three months prior to the credit limit increases in August 2021 and December 2021.

From reviewing Mrs D's bank statements, I haven't seen any evidence to show the lending was unaffordable. Mrs D had a regular income and was meeting her non-discretionary expenditure and credit commitments without showing signs of financial difficulty, such as unpaid direct debits or persistent use of an overdraft facility.

I've considered Mrs D's comment that her income from one month was inflated owing to a bonus payment. But I can also see our investigator took account of Mrs D being able to repay, at times, more than the required amounts for her credit commitments, which increased her non-discretionary outgoings in our investigators assessment.

So, on balance from the evidence I've seen Mrs D had sufficient income to meet her non-discretionary expenditure and sustain her credit commitments including this lending without causing financial strain, and to be able to cover any discretionary and unexpected costs. So, I'm satisfied had NewDay checked further they would have made the same lending decision as added to their other checks this would have shown Mrs D had sufficient disposable income to sustain her repayments.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mrs D has complained about, including whether their relationship with her 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 Mrs D or

otherwise treated her 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.

While I'm not upholding Mrs D's complaint. I'd expect NewDay, if they haven't done so already, to treat Mrs D positively and sympathetically in response to any ongoing financial difficulty.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 20 October 2025.

Anne Scarr
Ombudsman