

The complaint

Mr W complains that NewDay Ltd trading as John Lewis Credit Card lent irresponsibly when it approved his credit card application.

What happened

Mr W applied for a John Lewis credit card with NewDay in December 2022. In his application, Mr W said he was employed with an annual income of £28,000 that NewDay calculated left him with £1,721 a month after deductions. A credit search was completed that found Mr W was making monthly repayments of £58 towards his existing debts of around £3,000. No County Court Judgements, Defaults, payday loans, payment arrangements or recent missed payments were noted on Mr W's credit file. NewDay carried out an affordability assessment using estimates for Mr W's rent of £568 and general living expenses of £438 a month. After applying Mr W's outgoings to his income, NewDay calculated he had a disposable income of £619 a month.

NewDay applied its lending criteria and approved Mr W's application – issuing a credit card with a limit of £1,200. There have been no credit limit increases.

Mr W's account later fell into arrears and the balance exceeded the credit limit. A Payment plan was agreed in late 2024. More recently, Mr W complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving Mr W's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr W's complaint. They thought NewDay completed reasonable and proportionate checks before approving Mr W's application and weren't persuaded it lent irresponsibly. Mr W asked to appeal and said that in December 2022 he wasn't earning £28,000 and was receiving benefit income of £350 a month. Mr W said that NewDay should've asked for bank statements to verify his circumstances which would've showed he was unemployed. As Mr W asked to appeal, his 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, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr W 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.

I've set out the information NewDay obtained when considering Mr W's application above. Mr W's explained that whilst he input an employed income figure of £28,000 a year, or £1,721 a month, he was actually unemployed at the time and in receipt of benefit income of £350. Mr W's told us he feels NewDay's failure to verify his income by requesting bank statements. I take Mr W's point, but the relevant lending rules don't required businesses to always obtain bank statements or specific evidence when considering an application for credit. Businesses can use the available information to help verify a consumer's circumstances and I'm satisfied that's what occurred in this case.

As noted above, NewDay carried out a credit search and found no evidence of adverse credit, including County Court Judgements, defaults, payment arrangements, payday loans or recent missed payments. The credit file also showed Mr W had existing debts of around £3,000 with monthly repayments of £58. In my view, Mr W's credit file indicated he was in a stable financial position and was managing his finances well. I haven't seen anything on the credit file results that would've led NewDay to conclude he wasn't earning in line with the income figure provided.

NewDay also carried out an affordability assessment. After deducting the cost of covering Mr W's existing debts and applying reasonable estimates for his outgoings, NewDay reached the view Mr W had a disposable income of £619. In my view, that was a reasonable position to reach following proportionate checks by NewDay. And I'm satisfied that £619 a month would've been sufficient to sustainably afford repayments to a new credit card with a £1,200 limit. I'm satisfied the decision to approve Mr W's application and issue a credit card with a £1,200 limit was reasonable based on the information NewDay obtained. I'm sorry to disappoint Mr W but I haven't been persuaded NewDay lent irresponsibly.

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, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 October 2025.

Marco Manente
Ombudsman