

The complaint

Mrs S complains that NewDay Ltd trading as BIP (“NewDay”) irresponsibly provided her with a credit card and increased the limit three times.

Mrs S is supported in bringing her complaint by a representative but for ease, I’ll refer to Mrs S throughout.

What happened

NewDay provided Mrs S with a credit card in April 2022 with a credit limit of £1,200 and increased the limit as follows:

Date	Lending	Amount
May 2023	Credit limit increase 1	£2,300
August 2023	Credit limit increase 2	£3,150
January 2024	Credit limit increase 3	£4,500

Mrs S complained to NewDay about the lending. In summary, Mrs S said she was provided with credit she couldn’t afford. I understand the account has now defaulted.

In its final response, NewDay didn’t uphold Mrs S’s complaint because it didn’t agree the lending was irresponsible. In summary, it said based on the application information, credit check, how Mrs S’s other NewDay accounts had been managed and its internal records, the lending was affordable. Mrs S didn’t agree and so referred her complaint to this service.

Our Investigator didn’t uphold this complaint. In summary, they said for the provision of the card, the checks NewDay carried out before lending were proportionate and the lending responsible. And although NewDay ought to have carried out more checks before increasing the credit limit each time, they said it wasn’t wrong of them to lend.

Mrs S didn’t agree and requested for an Ombudsman to consider her complaint. She made reference to another complaint she’d made that had been upheld and questioned why this complaint hadn’t been upheld too.

Because an agreement couldn’t be reached, the complaint has been passed to me to decide on the matter.

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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs S's complaint.

I appreciate Mrs S has made reference to another complaint which she received a different outcome on. And I understand why there may be an expectation that the outcome of this complaint would be the same. But each complaint is assessed on its own merits and I am not bound by findings reached on other cases. I'll only be commenting on Mrs S's complaint about her BIP NewDay credit card in this decision.

Having carefully considered everything provided, I'm not upholding Mrs S's complaint – and I'll explain why.

NewDay needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mrs S could afford to repay before providing the credit card and any credit limit increases. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

When Mrs S was provided with the credit card and limit increases, NewDay was required to understand whether Mrs S could sustainably repay the full amount it was prepared to lend, within a reasonable period of time.

For the initial lending of £1,200 in April 2022, NewDay's checks showed:

- Mrs S declared her gross annual income to be £15,000. NewDay estimated Mrs S's net monthly income to be around £1,193.
- Mrs S's estimated monthly living costs were around £497, housing costs were around £154 per month, credit commitments were around £62 per month and this resulted in an estimated monthly disposable income of around £478.
- Mrs S had no recorded Individual Voluntary Arrangements ("IVAs"), or bankruptcies in the last three years.
- Mrs S had no defaults.
- It had been 66 months since the last public record on Mrs S's credit report – although there isn't any information about what this public record was, the check also showed there were no outstanding public records, suggesting it had been settled.
- Her debt-to-income ratio was around 10%.

Whilst I note NewDay's checks make reference to a public record and it isn't clear what this is, I'm satisfied it had likely been settled and, in any event, historic, as it happened more than five years before this lending. I therefore don't think it's a reflection of how Mrs S was managing her credit and finances at the time of lending.

Prior to providing this BIP-branded credit card, I can see NewDay had previously lent to Mrs S as it had provided her with another branded credit card in November 2021. Given

NewDay already had a relationship with Mrs S, it'd be reasonable in the circumstances of this case, before lending to her further, that it would consider how she'd been managing her existing lending with NewDay. NewDay says it did this and I've reviewed the relevant information to help me understand how Mrs S was managing her other card, in the lead up to the provision of the credit and credit limit increases on her BIP card.

Having done so, in the lead up to April 2022, when Mrs S's BIP card was provided, it appears Mrs S was managing her other card well, making payments above the minimum required each month and keeping spending within the limit.

Turning back to the provision of the BIP card, considering the limit provided, NewDay's estimated calculations for Mrs S's disposable income, total level of borrowing elsewhere and how she'd been managing that borrowing, it seems likely Mrs S would have been able to sustainably repay the full amount NewDay was prepared to lend within a reasonable period of time.

Considering all of this, it's certainly arguable that the checks NewDay carried out before lending were proportionate and showed that Mrs S would be able to afford the opening credit limit. Therefore, I don't think it was wrong for NewDay to provide this card with a limit of £1,200 to Mrs S.

However, even if NewDay had asked for more information, I wouldn't expect those checks to go beyond obtaining information about Mrs S's actual committed living expenses. And I'm satisfied those checks would have shown the lending was likely to have been affordable. I say this because, although NewDay wasn't required to check Mrs S's bank statements before lending, I've reviewed those statements in the few months leading up to this lending to see what NewDay would likely have found, had it obtained further information about Mrs S's committed living expenses. After deducting Mrs S's committed living expenses from her income, I can see she had a large amount of disposable income available each month.

Just over a year later, NewDay increased Mrs S's credit limit for the first time, in May 2023 to £2,300. NewDay used CATO (Current Account Turnover) to find out Mrs S's monthly income and estimated her monthly outgoings. It found that her monthly income was around £5,890 and she had a large disposable income. It also carried out a credit check which revealed Mrs S owed around £5,000 to external creditors and was using around 77% of her revolving credit limits. She did have some recently recorded arrears on this external debt. One Credit Reference Agency ("CRA") reported it had been around five months since she was overdue three months or more on payments and another reported that in the past six months, the worst status on any of her accounts was four months' arrears. A default was also showing but no IVAs. At the time of lending, Mrs S was utilising most of the limit on her NewDay card.

Based on what it found, I think NewDay ought to have carried out more checks before increasing Mrs S's limit. I say this because Mrs S's monthly income had, according to CATO, in the space of around a year, increased by around £4,700. This ought to have alerted NewDay that this may not be correct. Mrs S's existing debt also appears to have increased, and she had now accrued some arrears and had a default showing on her credit report. She was also utilising a large amount of her external existing credit. And, before increasing the limit, the balance on her NewDay card was almost at the maximum.

Considering all of this, I think NewDay ought to have taken steps to understand more about Mrs S's actual income and check what her actual committed living expenses were, as well as reviewing Mrs S's management of her other card, to ensure the lending was affordable.

As NewDay didn't carry out proportionate checks, I've considered what proportionate checks would have likely shown. In other words, what NewDay is likely to have seen, had it obtained

further information about Mrs S's income and committed living expenses at the time of lending.

To understand what this looked like, I've reviewed Mrs S's bank statements for the few months leading up to this limit increase. Again, whilst NewDay didn't have to specifically check statements, it needed to take reasonable steps to obtain information about Mrs S's income and committed living expenses as outlined above. But in the absence of this, I've relied on the statements Mrs S has provided to this service.

After deducting Mrs S's committed living expenses from her income, she had a large amount of disposable income available each month. Whilst Mrs S's credit check at the time of this increase did show some adverse data, she appears to have brought her payments up to date, including settling the default showing (Mrs S's own credit report provided supports this), suggesting what had happened wasn't a representation of her current financial situation.

I've also looked at how Mrs S had been managing her other NewDay credit card up to this point. Although she had incurred an overlimit fee for exceeding her credit limit in October 2022, the following month Mrs S made a payment of over £900, bringing her balance well within the credit limit again. Whilst she often utilised a large portion of her credit limit each month, I can see she'd been paying more than the minimum payment required most months and had generally been handling her account well.

And although Mrs S was utilising close to the full balance on her NewDay (BIP) card, she'd been maintaining her payments and paying more than the minimum required here too. Overall, taking this into account, alongside Mrs S's large amount of disposable monthly income, I think NewDay would have likely found the lending affordable and therefore it wasn't unreasonable for it to have provided this increase.

Around three months later, in August 2023, NewDay increased Mrs S's credit limit for a second time to £3,150. NewDay carried out a credit check and an income and expenditure assessment which didn't reveal any further adverse information and no other potential flags for financial difficulty.

However, on her other NewDay card, I note that in June 2023, Mrs S incurred a charge because she had exceeded her limit. I can also see on her other card that she was only making just above the minimum payment required for the few months leading up to the credit limit increase on her BIP card. Mrs S did make a larger payment in July 2023. But given the issues with maintaining a balance within the limit on Mrs S's other card, I think further checks ought to have been carried out at this point. NewDay had relied on CATO for Mrs S's income again and estimated her outgoings to assess affordability. Given the above, I think it ought to have found out about her actual income and committed living expenses.

But, even if NewDay did find out more about Mrs S's income and committed expenditure before offering this increase, after calculating Mrs S's disposable income from her statements, as explained for previous lending decisions, I'm satisfied NewDay would have found this additional lending, likely affordable. And, despite some issues managing the limit on Mrs S's other card, she brought the account back within the limit quickly and otherwise, appeared to be managing it well. Mrs S had also been making payments above the minimum required on her BIP card and hadn't incurred any charges or fees, so it seems she'd generally been managing that account well.

So overall, I don't think it was unreasonable for NewDay to provide this limit increase.

Around five months later, in January 2024, Mrs S's limit was increased for a final time, to £4,500. NewDay carried out a credit check which didn't reveal any new adverse information, although it did suggest Mrs S's external credit balances had increased to around £15,000 at this point – made up roughly of half revolving and half non-revolving credit.

On her other credit card, Mrs S exceeded the limit again and incurred an overlimit fee in August 2023. Although she made a payment above the minimum, she'd either remained over the limit by September 2023 or had spent to the extent it had pushed her over the limit for a second month in a row. Again, she incurred an overlimit fee. By October 2023, Mrs S had brought the balance back within the limit and made a payment above the minimum. Mrs S also made a payment above the minimum required in November 2023 and although she only made around the minimum payment in December 2023, her balance remained within the limit for these months.

It appears Mrs S also exceeded the limit slightly on her BIP card in August and September 2023 although she doesn't appear to have incurred overlimit fees. She made a payment above the minimum required and brought the balance back within the limit. In October and November 2023, she made payments above the minimum and didn't exceed the limit on her card. Although she made the minimum payment in December 2023, she didn't exceed her limit.

Given that Mrs S had exceeded the limit on both cards in the lead up to the final limit increase on her BIP card, I've thought carefully about whether this information means NewDay simply shouldn't have lent further to Mrs S at this stage. However, Mrs S brought both accounts back within the limit in the few months leading up to this limit increase and apart from in December, made payments above the minimum required on both cards. Based on this, similar to my comments on the previous lending, I don't think NewDay's checks around Mrs S's income and expenditure were good enough. Instead, I think it would have been appropriate for NewDay to have carried out further checks at this point, to ensure the lending was affordable.

Having checked the bank statements provided by Mrs S, leading up to the final increase on this card, even if NewDay did find out more about Mrs S's actual income and committed living expenditure before offering this increase, I'm satisfied it would have likely found this additional lending, affordable. I say this because, similar to the other lending decisions, after deducting Mrs S's committed living expenses from her income, she had a large amount of disposable income available each month.

Given the amount of disposable income she had, NewDay would have been able to see Mrs S had enough to make higher, sustainable repayments towards her card. And, whilst it appears Mrs S's overall debt had increased by this point and she'd had some issues managing the limits on her NewDay cards, she didn't have any new adverse information showing on her credit file and she appeared to manage her NewDay accounts well in the few months leading up to this lending. Therefore, I think this would have demonstrated she could afford an increase on the account and overall, NewDay would have likely found the lending affordable and it wasn't unreasonable for it to have provided this increase.

So, I don't think NewDay was wrong to provide Mrs S with this account or increase the limit on her card and I think, overall, the lending was fair.

Finally, I've also considered 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 Mrs S or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 17 November 2025.

Sophie Kyprianou
Ombudsman