

The complaint

Mrs R complains that NewDay Ltd irresponsibly lent to her.

What happened

Mrs R was approved for a NewDay branded credit card in September 2022 (which I will refer to as A in this decision), with a £300 credit limit. I have detailed the credit limit increases for A below:

August 2023	£300 to £1,050
February 2024	£1,050 to £1,300
August 2024	£1,300 to £1,800

Mrs R was approved for another NewDay branded credit card in May 2024 (which I will refer to as B in this decision), with a £1,200 credit limit. The credit limit was increased to £2,700 in August 2024. Mrs R says that NewDay irresponsibly lent to her. Mrs R made a complaint to NewDay, who did not uphold her complaint. They said the lending was provided responsibly. Mrs R brought her complaint to our service.

Our investigator did not uphold Mrs R's complaint. He said NewDay's checks were proportionate and they made fair lending decisions. Mrs R asked for an ombudsman to review her complaint. She said the income NewDay recorded for her for the credit limit increases were completely incorrect, and so was the figure they used for rent.

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 approve or increase the credit available to Mrs R, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks NewDay have done and whether I'm persuaded these checks were proportionate. I will list these in date order of the lending decision.

Acceptance for A

I've looked at what checks NewDay said they completed prior to accepting Mrs R's application. I'll address the further lending decisions later on. NewDay said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mrs R had provided before approving her application.

The information showed that Mrs R had declared a gross annual income of £18,000. The

CRA reported that Mrs R had defaulted on at least one account previously, with the last default being 42 months earlier.

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 – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made, to see if they made a fair lending decision.

The CRA reported no public records such as a County Court Judgement (CCJ). Mrs R was not showing as being in arrears on any of her active accounts at the time of NewDay's application checks for A. The CRA also reported she hadn't been in arrears on any of her active accounts for the six months prior to NewDay's checks. Mrs R was showing as having an active debt to gross annual income of 74.33%, which would have equated to her having around £13,379 of active unsecured debt.

NewDay also completed an affordability assessment using information from a CRA and modelling to assess Mrs R's outgoings. As modelling was used then this is how Mrs R's rent could be different to what it actually was, but modelling is an industry standard way of estimating outgoings. The net income figure used in the calculation was £1,373.30. The affordability assessment showed that the repayments for a £300 initial credit limit should be affordable and sustainable for Mrs R.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to approve A, and to provide Mrs R with a £300 credit limit.

August 2023 credit limit increase on A - £300 to £1,050

A CRA reported that Mrs R's active unsecured debt was £13,147, which was slightly lower than at the last lending decision. The CRA's reported that Mrs R had not been in arrears on any active external accounts since A had been opened.

NewDay would have also been able to see how Mrs R managed A since it had been opened. Mrs R incurred five overlimit fees and one late fee since A had been opened. So based on Mrs R's management of the account, I'm persuaded that NewDay should have completed further checks here, especially as the credit limit was more than trebling.

NewDay did complete an affordability assessment for this lending decision. They used Current Account Turnover (CATO), which is an industry standard way of assessing income. But when there is a disparity between what Mrs R last told them her income was, then I would expect them to make further checks if there is other concerning data shown in the checks.

Here, the CATO showed £4,525 a month as opposed to the original net monthly income NewDay used of £1,373.30. While I can't rule out a pay rise or a promotion for Mrs R to explain the difference, as Mrs R had numerous overlimit/late fees incurred, this could suggest the CATO was not reflecting a figure much closer to her actual income.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Mrs R to ask her what she genuinely earned, and why she had numerous overlimit fees. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs R has provided statements for a couple of months leading up to this lending decision. I can see that this account was for a joint account. This does show slight unarranged overdraft

usage and an unpaid transaction fee. But the statements are clear transfers to and from another account with the same bank were frequently made, and a three figure debit was made to another financial provider.

So I asked Mrs R if she could provide all of the statements she was named on for the three months leading up to this lending decision, and I also asked her questions about the income on the account and how Mrs R and the joint account holder split the bills, to get a fuller picture of her financial circumstances leading up to this lending decision. But Mrs R did not respond to the information request by the deadline I set, even though I extended this for her.

So on the face of it, it does look like NewDay should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that NewDay should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mrs R hasn't provided me with the information she was asked for, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

February 2024 credit limit increase - £1,050 to £1,300

A CRA reported that Mrs R's active unsecured debt was £14,411, which was not significantly higher than the last lending decision. A CRA showed that Mrs R had not been in arrears on an external account since the last lending decision.

The affordability assessment showed CATO of £4,567, which again was a lot higher than what Mrs R originally declared. Mrs R also incurred two overlimit fees since the last lending decision. So based on how Mrs R managed the account since the last lending decision. I'm persuaded that NewDay should have completed further checks here.

As I've mentioned in the previous section, there's no set way of how NewDay should have made further proportionate checks, but I asked Mrs R to provide me with her bank statements leading up to this lending decision. But Mrs R did not provide me with her statements by the deadline I set, even though I extended the deadline for her.

So on the face of it, it does look like NewDay should've looked more closely into this. But as Mrs R hasn't provided me with the information she was asked for, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

Acceptance for B

NewDay again said they looked at information provided by CRA's and information that Mrs R had provided before approving her application.

The information showed that Mrs R had declared a gross annual income of £28,652. The CRA did not report any new defaults, and no public records such as a CCJ. There were also no arrears showing on any active accounts at the time of the checks, or for the six months prior to the checks.

Mrs R was showing as having an active debt to gross annual income of 30.13%, which would have equated to her having around £8,633 of active unsecured debt, which was a lot lower than at the last lending decision. NewDay also completed an affordability assessment using information from the CRA's and modelling to assess Mrs R's outgoings. The net income they used was for £2,012.42 which would be around the net monthly figure I would expect for Mrs R's declared gross annual salary. The affordability assessment showed that

the repayments for a £1,200 initial credit limit should be affordable and sustainable for Mrs R.

So I'm persuaded that NewDay's checks were proportionate, and they made a fair lending decision to approve B with a £1,200 credit limit.

August 2024 credit limit increases on both A and B

As NewDay increased the credit limit on both A (to £1,800) and B (to £2,700) in the same month, the checks for each lending decision were the same, so I've included them both in this section to avoid repetition.

A CRA reported that Mrs R's active unsecured debt was £12,340, which was higher than the last lending decision. Mrs R had not been in arrears on an external account since the last lending decision.

NewDay would have also been able to see how Mrs R managed A and B since the last lending decisions. Mrs R incurred three overlimit fees on A since the last lending decision on A. The CATO for this lending decision was showing as £6,015 even though Mrs R's net income was assessed as £2,012.42 only three months earlier.

So based on the increase to the active unsecured debt since B had been approved, Mrs R's management of A, and the discrepancy between what Mrs R declared as her income only three months earlier and CATO, I'm persuaded that NewDay should have completed further checks here for both lending decisions.

As I've previously mentioned, there's no set way of how NewDay should have made further proportionate checks, but I asked Mrs R to provide me with all of the statements she was named on leading up to this lending decision. But Mrs R did not provide me with the information I requested by the deadline I set, even though I extended the deadline for her.

So on the face of it, it does look like NewDay should've looked more closely into this. But as Mrs R hasn't provided me with the information she was asked for, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that NewDay lent irresponsibly to Mrs R 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

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 21 November 2025.

Gregory Sloanes
Ombudsman