

The complaint

Mr D complains, that NewDay Ltd ("NewDay") gave him a credit card and then increased his credit limit when he couldn't afford it.

What happened

I've summarised Mr D's card approval and credit limit increases in the table below.

Date	Event	Credit limit	Increased to
January 2017	Card approval	£300	-
November 2017	Credit Limit increase 1	From £300	£750
March 2018	Credit Limit increase 2	From £750	£2,250
July 2018	Credit Limit increase 3	From £2,250	£3,500
July 2022	Credit Limit increase 4	From £3,500	£4,100
October 2023	Credit Limit decrease 1	From £4,100	£1,400
March 2024	Credit Limit increase 5	From £1,400	£2,650

Based on the latest statement of account provided by NewDay – July 2024, an outstanding balance of £2,309.89 remains.

Following Mr D's complaint, NewDay issued a final response letter in June 2024 in which it gave reasons why the card approval and the credit limit increases were not lent irresponsibly.

After the complaint had been referred to the Financial Ombudsman Service one of our Investigators issued a view to say that NewDay shouldn't have lent at all. NewDay knew from Mr D's credit check results that he was already having to spend almost 50% on servicing his existing credit commitments and he had very little left over after his other costs to be able to afford his repayments.

Mr D agreed with the outcome. However, no response has been received from NewDay since it received our Investigator's view and the unresolved complaint has been passed to me 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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

NewDay is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr D was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr D, how much he had to repay

(including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if NewDay carried out proportionate checks at the time it provided the card and when it approved the credit limit increase for Mr D, and if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown. Also, I'll consider whether NewDay acted unfairly towards Mr D in some other way.

We've also not heard from NewDay so I don't know, what, it thinks about the Investigator's assessment, and it hasn't provided any further comments about the outcome, despite being given an opportunity to do so. I therefore see no reason not to proceed to issue a final decision.

NewDay says when it approved the credit card, that it asked for Mr D's income which he declared to be £20,500 per year gross – which it worked out to be £1,338.80 a month after tax.

It also says a credit search was carried out and the summary of the results it has provided showed, there were no defaults or other types of insolvency recorded such as County Court Judgements. But it was told that Mr D's debt to his income ratio was over 142%. Mr D owed a significant amount of other debt compared to his monthly income. In saying that NewDay worked out that Mr D could afford to repay and service this credit card – after all the minimum payments due on an account with a £300 credit limit would be modest.

However, I don't think NewDay ought to have approved the card. I say this bearing in mind that it took some steps to assess Mr D's monthly living costs and his existing credit commitments. NewDay worked out that Mr D's living costs came to £625.16 per month. To this, it added his known existing monthly credit commitment – which came to £668. Together with NewDay worked out Mr D's existing payments were costing him £1,293 per month.

This left only £45 per month to cover the modest monthly payment due to NewDay as well as any other costs not picked up by its checks – given there was no end date on this agreement and Mr D was already paying around 50% of his income to other creditors has led me to conclude, for the same reasons as the Investigator, that the payments were neither affordable nor sustainable for Mr D and so the card ought to not have been provided.

As I've found NewDay ought to not have approved the credit card in the first place it therefore follows the credit limit increases shouldn't have been approved either.

NewDay shouldn't have approved this card for Mr D and I've set out below what it needs to do in order to put things right for him.

I've considered whether the relationship between Mr D and NewDay might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think NewDay should have lent to Mr D, I don't think it's fair for it to charge any interest or charges on the card. However, Mr D has had access the money he spent on the account so I think he should pay this back.

In order to put things right NewDay should;

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balance since the start of the account.
- If the rework results in a credit balance, this should be refunded to Mr D 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 recorded about this account from Mr D's credit file.
- Or, if after the rework an outstanding balance remains due still, NewDay should arrange an affordable repayment plan with Mr D for the remaining amount. Once Mr D has cleared the outstanding balance, any adverse information recorded in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mr D a certificate showing how much tax it has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that I uphold Mr D's complaint.

NewDay Ltd should put things right for Mr D as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 September 2025.

Robert Walker
Ombudsman