

The complaint

Mrs W complains that NewDay Ltd have irresponsibly lent to her.

What happened

Mrs W was approved for a NewDay branded credit card in January 2020 (which I will refer to as A in this decision). A was approved with a £900 credit limit. I have detailed the credit limit increases for A below:

July 2020	£900 to £1,650
February 2021	£1,650 to £2,650
November 2021	£2,650 to £4,150

Mrs W was approved for another NewDay branded credit card (which I will refer to as B in this decision) in February 2021. B was approved with a £1,200 credit limit. The credit limit was increased to £2,700 in November 2021. Mrs W says that NewDay irresponsibly lent to her. Mrs W made a complaint to NewDay, who did not uphold her complaint. They said the lending was provided responsibly. Mrs W brought her complaint to our service.

Our investigator did not uphold Mrs W's complaint. He said NewDay looked at her Current Account Turnover (CATO) to assess her income, and they made fair lending decisions. Mrs W asked for an ombudsman to review her complaint. She said she didn't earn what NewDay had told our investigator she earned.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd like to thank Mrs W for sharing her personal and financial circumstances with me around the time of the lending decisions from NewDay. I appreciate that this wasn't easy for her to do. I won't go into too much detail in this decision unless absolutely necessary to protect her identity. But I can assure Mrs W I've read everything she's told us.

Before agreeing to approve or increase the credit available to Mrs W, 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.

Acceptance for A

I've looked at what checks NewDay said they completed prior to accepting Mrs W'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 W had provided before approving her application.

The information showed that Mrs W had declared a gross annual income of £30,000. The CRA reported that Mrs W had previously defaulted on at least one account. And at least one public record such as a County Court Judgement (CCJ) had been registered on her credit file (with one still outstanding). The last default was registered 19 months prior to the application checks, and the last public record was registered 60 months prior to the application checks.

It may help to explain here that, while information like a default or a CCJ 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 NewDay's other checks showed to see if they made a fair lending decision here.

Mrs W 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 W was showing as having an active debt to gross annual income of 5.17%, which would have equated to her having around £1,551 of active unsecured debt. NewDay also completed an affordability assessment using information from the CRA's and modelling to assess Mrs W's outgoings. The affordability assessment showed that the repayments for a £900 initial credit limit should be affordable and sustainable for Mrs W.

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 W with a £900 credit limit.

July 2020 credit limit increase on A - £900 to £1,650

I've looked at the data NewDay had available to see if they were fair to increase the credit limit on A here. A CRA reported that Mrs W had active unsecured debt of £1,830. But in the month of the checks, Mrs W was showing as being in arrears on an account in the last month, which could be a sign of financial difficulty.

While I note at times Mrs W was repaying a lot more than her minimum repayment to A, she often re-used this credit shortly after she made the repayments. NewDay completed another affordability assessment which suggested Mrs W would be able to make sustainable repayments for a £1,650 credit limit.

The assessed income for Mrs W was £3,616. And while NewDay used CATO which is a legitimate use of assessing income, I'm persuaded that NewDay should have completed further checks here. I say this because only six months earlier NewDay assessed Mrs W's net income as being £1,787.30.

While I can't rule out Mrs W getting a promotion/pay rise/new job to explain the increase to the assessed income, the new assessed income was more than double what NewDay had for her net monthly income at the account opening stage only months earlier.

In addition to this, a CRA reported that Mrs W had a mortgage, but the affordability assessment had no figure entered for a mortgage repayment. I did note there was £543 a month showing for rent payments, so it's not clear whether this payment should have been showing for a mortgage or if NewDay had data that Mrs W also made rent payments in addition to her having a mortgage.

So I'm persuaded that NewDay should have completed further checks to ensure the lending was affordable and sustainable for Mrs W, especially due to the recent arrears on an external account.

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 W to ask her what her housing situation was, to find out why she had recently been in arrears on an account, and to see why her income appears to have doubled in a matter of months. Or they could have asked for her bank statements and full credit file as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs W has provided her credit file and her bank statements leading up to this lending decision. The credit file does show a mortgage account in Mrs W's name with a £592 monthly repayment showing on the credit file, being reported by two CRA's.

Mrs W's bank statements show she does not receive as much as what NewDay assessed her income to be. And there are transfers in and out of the account frequently, which will likely have increased the CATO figure. Some of these account statements are joint, so I've had to be mindful that not all of the income/expenditure might be Mrs W's.

I asked Mrs W about how the income and expenditure was split. She confirmed to me that her husband and her jointly received universal credit, but her husband's income was low as he was at university for the whole period, and his income over time mainly covered food.

Mrs W's statements show a reduced mortgage repayment direct debit with it showing as the first direct debit being collected from her account. But the contractual payment is not taken again for the other two months I looked at on any of her bank statements she's forwarded us. I asked Mrs W about this and she told me that she believes she took a repayment holiday on the account.

At the time of this lending decision, there were repayment holidays available due to the pandemic. Mrs W's credit file shows that for her mortgage, that she wasn't in arrears for this account, but repayment holidays wouldn't have been reported as being in arrears at the time.

I have no reason to doubt what Mrs W has told me about the repayment holiday, and this could be a reason why NewDay's data was showing as £0 for the mortgage repayment if she was on a repayment holiday and not making normal contractual repayments at the time of this lending decision.

But this would be temporary as Mrs W would need to return to her contractual payments. Mrs W is often in an overdraft on one of her accounts. And there is evidence that she is having to borrow money from a third party to meet her outgoings. I asked Mrs W about transfers to and from the account and she confirmed to me that she needed to borrow money from her mother at times.

Taking everything into account, and the fact that Mrs W's mortgage holiday would only be temporary (so she would need to start repaying the £592 a month once the repayment holiday was over), if NewDay had completed further checks for the reasons I gave earlier, then I'm not persuaded that they would have approved the credit limit increase for A, as it would not appear affordable and sustainable for Mrs W. So I can't conclude NewDay made a fair lending decision here.

Further lending decisions (including B)

If Mrs W's credit limit was not increased to £1,650 for A, then it's probable that the further lending decisions wouldn't have happened after this either. So I think there is an argument for saying that Mrs W's complaint about the subsequent lending decisions (including B) should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in July 2020, then I'm not persuaded that NewDay would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mrs W in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. NewDay did not respond to the provisional decision. Mrs W accepted the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask NewDay Ltd to take the following actions;

Card A:

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £900 after 30 July 2020;

If the rework results in a credit balance, this should be refunded to Mrs W 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 regarding this account from Mrs W's credit file recorded after 30 July 2020;

Or, if after the rework the outstanding balance still exceeds £900, NewDay should arrange an affordable repayment plan with Mrs W for the remaining amount. Once Mrs W has cleared the balance, any adverse information recorded after 30 July 2020 in relation to the account should be removed from Mrs W's credit file.

Card B:

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs W 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 regarding this account from Mrs W's credit file;

Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mrs W for the remaining amount. Once Mrs W has cleared the balance, any adverse information in relation to the account should be removed from Mrs W's credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If NewDay considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs W how much they've taken off. They should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint in part. NewDay Ltd should settle the complaint in line with the instructions in the *"Putting things right"* section above.

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

Gregory Sloanes
Ombudsman