

Complaint

Mr H has complained about credit cards and credit limit increases which NewDay Ltd ("NewDay") provided to him. He says the credit cards as well as the limit increases were irresponsibly provided.

Background

NewDay provided Mr H with a total of three credit cards across different brands. Mr H's borrowing history with NewDay is as follows:

"Pulse" branded credit card:

January 2020 – card provided with an initial limit of £1,000.00
June 2021 – limit increased to £1,750.00
March 2022 – limit increased to £2,500.00

"Marbles" branded credit card:

January 2021 – card provided with an initial limit of £600
May 2021 – limit increase to £1,600.00
September 2021 – limit increase to £2,350.00
January 2022 – limit increase to £3,100.00

"Aqua" branded credit card:

March 2022 – card provided with an initial limit of £450
August 2022 – limit increase to £1,200.00

In October 2023, Mr H complained to NewDay that all of his credit cards as well as the limit increases had been provided irresponsibly. NewDay accepted that it hadn't always acted fairly and reasonably towards Mr H and that it shouldn't have increased Mr H's credit limit on the occasion that it did on the Aqua card. So it partially upheld Mr H's complaint. Mr H remained dissatisfied and referred his complaint to our service.

One of our investigators reviewed what Mr H and NewDay had told us. And she thought that what NewDay had already agreed to do was fair and reasonable in all the circumstances of Mr H's case. So she didn't recommend that Mr H's complaint be upheld.

Mr H disagreed and asked for an ombudsman to look at the complaint.

As the parties agree that Mr H should not have been provided with the final limit increase on the Aqua card, I have not looked into this matter. Therefore, this decision is solely considering whether NewDay acted fairly and reasonably towards Mr H when providing the Pulse card its credit limit increases, the Marbles card and its credit limit increases, and the initial decision to provide the Aqua card.

My findings

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 Mr H's complaint.

Having carefully considered everything, I'm satisfied that what NewDay has already agreed to do to put things right for Mr H is fair and reasonable in all the circumstances. So I don't think that it needs to do anything more and I've not been persuaded to uphold this complaint. I'll explain why in a little more detail.

I think that it would be helpful for me to start by setting out that we consider what a firm did to check whether repayments to credit were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used.

It simply sets out the types of things that a lender could do. It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I kept this in mind when deciding Mr H's complaint.

NewDay says it agreed to Mr H's initial applications and limit increases after it obtained information on his income and carried out credit searches. And in its view the information obtained would have indicated that Mr H would be able to make the monthly repayments due for this. Due to Mr H's Pulse and Marbles accounts being relatively well managed he was then offered the credit limit increases as well as the Aqua card.

On the other hand, Mr H says that he shouldn't have been lent to.

I've considered what the parties have said.

Pulse Card

What's important to note is that Mr H was provided with a revolving credit facility rather than a loan. This means that to start with NewDay was required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £1,000.00 didn't require especially large monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information NewDay obtained from Mr H about his income and what was on the credit search carried out. NewDay says that Mr H declared receiving an annual salary of £38,000.00. NewDay's credit search also appears to show that Mrs H didn't have any significant adverse information recorded against him at the time either.

For example, I can't see any defaulted accounts or county court judgments recorded. Furthermore, Mr H didn't have too much in the way of active credit at that time either as he only owed a total of around £700.

So, in these circumstances, I don't think that it was unreasonable for NewDay to rely on what Mr H said about his income and what it had in relation to his expenditure, particularly in light of the not especially high monthly repayments he would be required to repay on a balance of £1,000.00, within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Mr H was initially provided with his Pulse credit card were reasonable and proportionate and NewDay didn't act unfairly when opening Mr H's account.

For the credit limit increases, it appears as though NewDay relied on Mr H's account having been managed well since it had been opened. In the first instance I should make it clear that it isn't immediately apparent to me how it is automatically the case that a borrower can afford a higher amount of credit simply because they might not have defaulted on a lower amount.

It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to carry out reasonable enquiries to ensure that this doesn't happen.

In any event, Mr H's credit limit was being increased to £1,750.00 and then £2,500.00. So I would have expected NewDay to have found out more about Mr H's income and regular living expenses before providing these credit limit increases. This is particularly as these credit limit increases were provided after Mr H had been provided with his Marbles credit card.

As NewDay has been unable to evidence having done this for either of these increases, I don't think that the checks it carried out before it increased Mr H's credit limit on the Pulse credit card were reasonable and proportionate.

I'll now review whether the checks on the Marbles and Aqua cards were reasonable and proportionate before returning to whether reasonable and proportionate checks are likely to have made a difference to NewDay's decision to provide the limit increases on the Pulse Credit card.

Marbles Card

When NewDay provided the Marbles card and the limit increases it was required to understand whether credit limits of £600, £1,600.00, £2,350.00 and £3,100.00 could be repaid within a reasonable period of time. I think that a credit limit of £600 required low monthly payments in order to clear the full amount that could be owed within a reasonable period of time. It's worth noting that the Marbles card was initially provided before any of the limit increases on the Pulse card were offered.

The credit checks that NewDay carried out didn't highlight any further adverse information having been recorded against Mr H. Although it did highlight a historic default (from approaching four years) that it appears as though the initial check on the Pulse account failed to pick up. Nonetheless, Mr H had been managing his active credit reasonably well. Therefore, I'm satisfied that NewDay was reasonably entitled to believe that Mr H could repay what he could owe on a credit limit of £600 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Mr H was initially provided with his Marbles credit card were reasonable and proportionate and NewDay didn't act unfairly when granting this credit.

For the credit limit increases, it appears as though NewDay continued to rely upon Mr H's Marbles account having been managed well since it had been opened. However, when Mr H's credit limit was initially being increased it was being increased to an amount in excess of £1,000.00 and this was in circumstances where he already had a Pulse credit card, which had a limit of £1,000.00.

So much like I would have expected NewDay to have found out more about Mr H's income and regular living expenses before providing the credit limit increases on the Pulse card, I would also have expected it to carry out similar checks before offering the limit increases on the Marbles card.

As I can't see that NewDay did this, I don't think that the checks it carried out before it increased Mr H's credit limit on the Marbles credit card on either of the occasions that it did were reasonable and proportionate.

I'll now review whether the checks carried out before the Aqua card was provided were reasonable and proportionate, before returning to whether reasonable and proportionate checks are likely to have made a difference to NewDay's decision to provide the limit increases on the Pulse and Marbles Credit cards.

Aqua Card

When NewDay initially provided the Aqua card it was required to understand whether credit a credit limit of £450 could be repaid within a reasonable period of time. Nonetheless, Mr H was being provided with a third NewDay card in circumstances where he already had combined credit limits in excess of £5,000.00 available to him on his Pulse and Marbles credit cards. In these circumstances, I think that NewDay needed to take account of the total amount that Mr H could owe it.

I've already explained that I would have expected NewDay to have found out more about Mr H's income and regular living expenses before providing the credit limit increases on the Pulse and Marbles card because of the total amount that he could owe. It therefore follows that I would also have expected it to carry out similar checks before offering the Aqua card, bearing in mind there was a chance that Mr H could end up owing an even larger amount.

As I can't see that NewDay did this, I don't think that the checks it carried out before it agreed to provide Mr H with his Aqua credit card were reasonable and proportionate.

I'll now turn to what I think proportionate checks for the limit increases on the Pulse and Fluid card as well as the decision to provide the Aqua card, are likely to have shown.

Why I don't think that carrying out further checks would have prevented NewDay from providing the credit limit increases on the Pulse and Marbles cards, or the Aqua card

As I think that NewDay ought to have done more, I've gone on to decide what I think NewDay is more likely than not to have seen had it carried out further checks before providing the extra credit in question.

As previously explained, given the circumstances, I would have expected NewDay to have had a reasonable understanding about Mr H's regular living expenses as well as his income and existing credit commitments before providing the limit increases on the Pulse and Fluid card and the Aqua card.

I've considered the information Mr H has provided on his circumstances at the respective times and I don't think that NewDay attempting to find out further information about Mr H's actual living costs, rather than relying on assumptions like it did, would have made a difference here.

I say this because I've not seen anything that shows me that Mr H's committed regular living expenses, other non-discretionary expenditure and him existing credit commitments meant that he did not have the funds to make sustainable repayments to any combination of balances that could have been owed, as a result of having these limit increases, at the time that the credit was offered. Indeed, as the investigator explained Mr H's actual committed expenditure was low and he appears to have had the funds to make the payments required here.

In reaching my conclusions I've also considered whether the lending relationship between NewDay and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that NewDay irresponsibly lent to Mr H or otherwise treated him unfairly in relation to the matters that I have considered. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall, I'm satisfied that what NewDay has already done to put things right for Mr H is fair and reasonable in all the circumstances. So I don't think that it needs to do anything more and I've not been persuaded to uphold this complaint.

I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm satisfied that what NewDay Ltd has already done to put things right for Mr H is fair and reasonable in all the circumstances of his case. As this is the case, I'm not requiring it to do anything more and I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 August 2025.

Jeshen Narayanan
Ombudsman