

The complaint

Mr C says NewDay Ltd trading as Pulse ('NewDay'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a credit card. He says that there was a history of cash advances and payment problems with the card. He thinks that it should have made better checks, and noticed these problems, and it wouldn't have approved the card or the credit limit increases.

Mr C's complaint has been brought by a representative and I've referred to Mr C and the representatives' comments as being from Mr C for ease of reading.

What happened

This complaint is about a credit card that Mr C took out with NewDay in November 2017. The initial credit limit was £500, this was increased as follows:

1. to £1,000 in August 2018
2. to £1,750 in January 2019
3. to £2,650 in March 2020
4. to £3,650 in March 2021
5. to £4,900 in September 2021
6. to £6,400 in March 2022

Mr C complained to NewDay saying that a proportionate check was not completed before each of the lending decisions were made, or if a proportionate check was completed, the results of this were ignored. And so, it failed in its obligation to lend responsibly.

NewDay considered this complaint, and it didn't uphold it. It said it was satisfied that the account was provided responsibly and that its affordability assessments were appropriate and proportionate. Mr C didn't agree with this, and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr C's complaint. She thought that NewDay should have made better checks before starting the card. But that there wasn't enough information to say that it shouldn't have lent in November 2017. Going forward she thought NewDay did proportionate checks, and these showed the credit limit increases were affordable. And so, it was reasonable for it to have approved the card and increased the limit of it.

Mr C didn't agree with the Investigator. He said:

- Their situation was difficult at times as they had a young child and Mr C's partner was unemployed for periods of the lending.
- The increasing card repayments became problematic, and when they reached out to the providers they were just sent to debt collection agencies which made it worse
- Mr C thinks NewDay should have checked his file properly but should also have done this when he reached out for help.
- He thinks NewDay should've done more to help him.

Because Mr C didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did NewDay complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?
 - a. if so, did NewDay make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?
2. Did NewDay act unfairly or unreasonably in some other way?

And, if I determine that NewDay didn't act fairly and reasonably when considering Mr C's application, I'll also consider what I think is a fair way to put things right.

Did NewDay complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

I'm not going to go into the detail our Investigator did about this, partly as all of the parties are aware of the information that was in the checks. And partly as Mr C didn't say that any of the information provided in our Investigator's assessment was incorrect. So, I've only included information in here that I need to, to say why I have reached my decision.

NewDay has explained that Mr C told it at the start of the lending that his income was £42,000 a year, and he received £2,334 after tax. NewDay says it verified this using a tool provided by a credit reference agency. I consider that a fair and reasonable approach.

And it did this going forward at the time the credit limits on the card were increased. These broadly showed that his monthly income increased over time. At the first credit limit increase in August 2018 his net income was £4,557 a month, at the second credit limit increase in January 2019 it was £4,185, at third in March 2020 it was £3,861, at the fourth in March 2021 it was £11,499, at the fifth in September 2021 it was £8,986 and for the sixth in March 2022 it was £6,572.

NewDay also checked Mr C's credit file to see how he was managing his other credit commitments. From the time the card was started, through to the time of the credit limit increases, Mr C didn't miss any repayments to his other credit accounts. And he had no outstanding problems from the past such as arrears or defaults and County Court Judgements. He had no active payday loans. NewDay says it didn't see any signs of financial problems.

It did find out that Mr C had some unsecured debt and this was significant. When the card was started NewDay saw that Mr C was repaying £1,337 a month to his existing debt and

this remained at a similar level over the first four credit limit increases. His unsecured debt was around £30,000 to £40,000 over this time.

At the time of credit limit increases five and six, which was September 2021 to March 2022. Mr C's unsecured debt increased. I understand he started a business at this point. He owed just under £60,000 and the payments to this had risen to £2,224 a month.

NewDay didn't ask Mr C about his other expenditures, it used office of National Statistics information to estimate these. At the first credit limit increase it thought that Mr C's total non-discretionary expenditure was £2,194. This rose to £2,294 for credit limit increase two and up to £2,460 by credit limit increase four. This rose again to £3,313 at credit limit increase five and to £4,212 at credit limit increase six.

It thought that the card would be affordable for Mr C at all of these times, particularly given that it had verified his income as being relatively high and over £10,000 a month at some points.

Our Investigator thought that NewDay should have made better checks before the card was approved, as Mr C was spending a large proportion of his income on debt already. And for some of the credit limit increases. They also thought that some of the checks were proportionate.

I'm not sure if this is entirely the right approach here, as Mr C did have a significant amount of debt already and there was a lot of variation in his circumstances. So, I think it would have been important for NewDay to ensure that he could afford the repayments to the new loan. And I think it would have been proportionate to have asked more questions about Mr C's expenditure and overall situation rather than, in the main, relying on averages for this and the information contained in the credit report.

So, I'm not persuaded that the checks NewDay did were reasonable and proportionate. I think NewDay could have checked in more detail that this further lending wasn't likely to cause him a problem going forward.

Would reasonable and proportionate checks have shown that Mr C would be able to repay the credit in a sustainable way?

I've gone on to consider what NewDay would likely have found had reasonable and proportionate checks been carried out.

Mr C has provided copies of his bank statements for some of the periods during the time he had the card. While I wouldn't have expected NewDay to have asked Mr C for copies of these, I'm satisfied that these statements would give a good indication of what NewDay would likely have taken into consideration had it asked Mr C to verify, or provide more information about, his income and committed expenditure during that specific period.

Our Investigator calculated from the bank statements that Mr C's committed expenditure would likely leave him with enough money to repay the card. I have looked at the statements and what all the parties to the complaint have said, and I agree this is likely to be the case. I'm not going to reproduce all of the detail here as no one involved in the complaint has said it wasn't correct.

That said, Mr C's situation does seem complicated in that the information I've been provided does show that he started a business at one point and his income and debt both increase significantly at this time. So, I've also looked more broadly for signs of financial problems over the time he had the account with NewDay. I think, in this case, this is perhaps a better indicator of whether NewDay should have lent. And I've borne in mind Mr C's complaint is, essentially, and as he said in response to our Investigators opinion, that he was in obvious financial difficulty over the period NewDay lent to him.

Having looked at everything I don't think it's clear from the bank statements, and other information I have seen, that Mr C was in financial difficulty. As I've said above, his credit reports don't show this, there are no indications in how used the card before 2022 that he couldn't repay it. And there are no signs of financial difficulty in the bank account information I've seen, which covers 2018 to 2022, such as missed payments to essential bills. I can see that he starts to use his overdraft more from mid-2021 onwards but I don't think this is enough to say that NewDay shouldn't have lent, given the other information it had about him.

And Mr C didn't have any problems repaying the NewDay card until July 2022 when he has acknowledged that his situation changed. And I can also see from his bank statements that he was now in difficulty. I think it's reasonable to say that any problems Mr C would've been having would have only become evident later and after all of the lending decisions had been made.

Given all of this I don't think there is enough for me to say that had NewDay carried out reasonable and proportionate checks, that it would have found card to be unaffordable to Mr C.

Did NewDay act unfairly or unreasonably in some other way?

Mr C's response to the opinion provided some detail about how NewDay treated him when he says he had financial difficulties later in 2022. I don't think this formed part of his initial complaint and NewDay hasn't had the opportunity to properly consider this. If Mr C want's this aspect of his circumstances looked at he will need to raise it with NewDay as a starting point.

I have 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 it lent irresponsibly to Mr C or otherwise treated him 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.

I haven't seen anything to make me think NewDay acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 October 2025.

Andy Burlinson
Ombudsman