

Complaint

Mr M has complained about a credit card NewDay Ltd (trading as “BIP”) provided to him.

Mr M is being represented by his mother in this complaint. However, for ease of reference, I will refer to the arguments and submissions made on the case as having been made by Mr M.

Mr M says that BIP failed to carry out adequate checks and this led to a vulnerable customer being provided with credit he couldn’t afford.

Background

In March 2022, BIP provided Mr M with a credit card which had a limit of £1,200.00. Mr M wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr M and BIP had told us. And he thought BIP hadn’t done anything wrong or treated Mr M unfairly in relation to providing the credit card. However, he did think that BIP could have done more once it became aware Mr M was experiencing difficulty making his payments and thought that BIP needed to pay him £100 in compensation for this.

So the investigator recommended that Mr M’s complaint be partially upheld. BIP agreed with the investigator. But Mr M disagreed and asked for an ombudsman to look at the complaint.

My findings

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

Having carefully considered everything, I’m satisfied that what BIP has already agreed to do is fair and reasonable in all the circumstances of Mr M’s complaint. I’m therefore not requiring it to do anything more or anything further. I’ll now explain why in a little more detail.

Before I go on to set out my conclusions on this matter, I want to say that I can see that it’s clear Mr M feels very strongly about his complaint. So I think it might help for me to set out that while I may have not commented on each and every point that he’s made, I have read and considered everything he’s said.

However, I’ve focused on the key things that have led to me reaching, what in my view is, a fair and reasonable decision. For the sake of completeness, I’d add that the rules of this service permit me to do this as it reflects the nature of our service which was set up to be an informal alternative to the courts.

Did BIP act unfairly in initially lending to Mr M?

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 M’s complaint.

BIP needed to make sure it didn't lend irresponsibly. In practice, what this means is BIP needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we don't think that it is necessarily unreasonable for a lender's checks to be less detailed – in terms of how much information it gathers and what it does to verify it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

BIP says it agreed to Mr M's application after it obtained information on his income and carried out a credit search on him. And the information it obtained indicated that Mr M would be able to make the, what it considered to be, the not especially large monthly repayment required to clear the balance that could be owed within a reasonable period of time.

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

I've considered what the parties have said.

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that BIP was required to take reasonable steps to understand whether a credit limit of £1,200.00 could be repaid within a reasonable period of time, rather than in one go. I think it's fair to say that a credit limit of £1,200.00 did not require large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen the information BIP obtained from Mr M and what was on the credit search carried out. BIP says that Mr M declared he had an annual income of £28,000.00. I accept that this declaration may not have been accurate and that Mr M has queried why he wasn't asked to prove what he'd declared. However, a lender isn't always required to formally verify an applicant's income before agreeing to lend.

The degree to which a lender would reasonably be expected to check a customer's income depends on any other information gathered and the overall circumstances of the lending. In this case, the credit search carried out not only showed that Mr M didn't have any significant adverse information – such as defaulted accounts or County Court Judgments – recorded against him, he also had no active credit balances either.

Given this information didn't call into question, Mr M's declaration of income and the payments required to repay £1,200.00 within a reasonable period of time would take up a low proportion of the declared income, I don't think that it was unreasonable for BIP to have lent in these circumstances. After all, there wasn't anything to indicate that Mr M had been struggling, or that there was a risk of payment difficulties.

I've also thought about what Mr M has said about his personal circumstances. I'm sorry to hear about what Mr M has told us and it's clear that he's been through an extremely difficult time. I also accept that the possibility that BIP's credit product may be marketed to younger customers.

I would expect a lender to take a customer's ability to consider any information and make reasonable adjustments where it is aware or it ought to have been aware this is necessary. However, I think it is fair to say that BIP wasn't aware of Mr M's personal circumstances. And given that there wasn't anything such as a registered power of attorney or any restrictions registered with credit reference agencies, I can't say that BIP was in a position where it could reasonably have known about Mr M's circumstances and taken account them.

Furthermore, I don't think that BIP automatically needed to take additional steps on account of marketing its product and therefore lending to customers that are typically younger than those of other lenders either. Indeed, the regulator's regulations and the Consumer Credit Act 1974 set out the form of pre-contractual credit information and what should be included.

These regulations envisage the fact that individuals as young as 18 can be provided with credit. I've not seen anything to suggest that the pre-contractual information Mr M was provided with wasn't along these lines. And as BIP wasn't aware of the potential need for reasonable adjustments to be made, I don't think that it could have accounted for this either. So I don't think BIP acted unfairly when it agreed to provide Mr M with a credit card.

In reaching my conclusions, I've also considered whether the lending relationship between BIP and Mr M might have been unfair to Mr M under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that BIP irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Did BIP act unfairly once Mr M got into difficulty?

It's clear that Mr M's account was passed to BIP's collection agent once Mr M fell into arrears. However, it appears as though BIP did stop its collection agent from contacting Mr M and has also ceased adding interest to the account. It's clear that there were some service issues and there may have been some delays in adding Mr M's mother as a third party on his account.

I realise that Mr M's mother will also have incurred a significant amount of distress in the delay in BIP dealing with her. But our rules only permit me to make an award for any distress and inconvenience experienced by the complainant. In this case, Mr M is the complainant. So I can't make an award for any distress and inconvenience that Mr M's mother may have experienced.

Having considered all of this, I'm persuaded that Mr M was caused some distress and inconvenience as a result of BIP's actions after he fell into difficulty making his payments. Bearing in mind the fact that awards for distress and inconvenience are typically modest and what I am able to make an award for here, I think that the £100 BIP has already agreed to pay Mr M for any distress and inconvenience its actions may have caused, is fair and reasonable in all the circumstances.

So I'm not requiring BIP to do anything more or anything further and I leave it up to Mr M to decide whether he wishes to accept this offer.

Overall and having considered everything I don't think that BIP treated Mr M unfairly or unreasonably in approving his application for a credit card. I'm also satisfied that what it has already agreed to pay Mr M as a result of any distress and inconvenience it may have caused is fair and reasonable. I'm therefore not requiring BIP to do anything more or

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

Although I'm not upholding Mr M's complaint, I would remind BIP of its continuing obligation to exercise forbearance and due consideration, given Mr M has had difficulty making his payments and what it now knows about his situation.

I would also encourage Mr M to get in contact with and co-operate with any steps that may be needed to review what he might, if anything, be able to repay going forward. Mr M may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with BIP's actions in relation to exercising forbearance over the balance owed.

My final decision

For the reasons I've explained, I'm satisfied that what NewDay Ltd (trading as "BIP") has already agreed to do is fair and reasonable in all the circumstances of Mr M's complaint. I'm therefore not requiring BIP to do anything more or anything further and I leave it up to Mr M to decide whether he wishes to accept its offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 September 2025.

Jeshen Narayanan
Ombudsman