

The complaint

Mrs L complains that NewDay Ltd lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Mrs L applied for a NewDay credit card in November 2015. Due to the passage of time, the application Mrs L completed, credit file results NewDay obtained and affordability calculations completed no longer remain available for review. NewDay approved Mrs L's application and issued a credit card with a limit of £1,000.

Mrs L used her credit card and NewDay went on to increase the credit limit as follows:

Event	Date	Limit
App	Nov-15	£1,000
CLI1	May-16	£1,400
CLI2	Oct-16	£1,950
CLI3	Mar-17	£2,950
CLI4	Aug-17	£4,150

NewDay says it carried out new affordability assessments and checked Mrs L's credit file before each credit limit increase. Mrs L's highest outstanding balance was £2,347 in October 2018.

Last year, representatives acting on Mrs L's behalf complained that NewDay lent irresponsibly and it issued a final response. NewDay said it had carried out the relevant lending checks before approving Mrs L's application and increasing the credit limit and didn't agree it lent irresponsibly. But NewDay said it noticed Mrs L's circumstances had changed in September 2017 and agreed to refund interest, fees and charges applied from that date.

An investigator at this service looked at Mrs L's complaint. They noted the lack of lending checks available for review so looked at Mrs L's bank statements for the months before the application and credit limit increases. The investigator thought Mrs L's bank statements showed she had capacity to sustainably make repayments to the credit limits NewDay approved and wasn't persuaded it lent irresponsibly.

Mrs L's representatives asked to appeal and pointed out she was in receipt of benefit income during the period in question and said her outgoings were higher than the figures used by the investigator. As Mrs L's representatives asked to appeal, her complaint has been passed to me to make a 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.

Before agreeing to lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mrs L could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As I've noted above, due to the amount of time that's passed no application data, credit file results or affordability checks from the application or credit limit increases remains. I've taken the step of reviewing Mrs L's bank statements for the months before each lending decision to get a clearer picture of her circumstances. I can see that Mrs L was in receipt of a modest benefits income during the entire period NewDay was lending. But it's not clear what Mrs L's income was noted as in the original application. Mrs L has supplied a sole name bank statement that shows her benefits income being paid and withdrawn. We've also been given joint bank statements that show cash deposits, some transfers and the household bills being collected in addition to unsecured debts. It's not clear from the bank statements which commitments belong to Mrs L or the other account holder. Mrs L's explained she was responsible for 50% of the household outgoings. I've used 50% of the outgoings from Mrs L's joint account when considering whether NewDay lent responsibly or not.

Mrs L's bank statements show she was receiving a monthly income of £391 in the months before her application was made. Mrs L's regular outgoings including credit commitments, insurances and supermarket shopping came to an average of £260 leaving her with around £125 a month as a disposable income. I appreciate that is a low disposable income, but Mrs L's outgoings were also reasonably low at the time. On balance, I'm satisfied Mrs L had sufficient disposable income to sustainably afford repayments to a new credit card with a limit of £1,000.

I've followed the same approach when looking at the credit limit increases NewDay went on to approve. Between CLI1 and CLI3 Mrs L's outgoings remained broadly consistent. Mrs L's bank statements indicate she had a disposable income of between £200 and £300 a month after covering her existing outgoings. I also think it's reasonable to note Mrs L's joint account was well maintained with no returned payments or signs she was struggling financially. In my view, Mrs L's bank statements show she was in a position to sustainably cover repayments to the increased credit limits up to £2,950 in March 2017. I'm sorry to disappoint Mrs L but I haven't been persuaded NewDay lent irresponsibly.

Mrs L's outstanding balance never exceeded £2,950, the limit approved at CLI3. As a result, I've not looked at the decision to approve CLI4.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 NewDay lent irresponsibly to Mrs L or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mrs L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 16 October 2025.

Marco Manente
Ombudsman