

The complaint

Ms B complains NewDay Ltd trading as Marbles (NewDay) failed to carry out sufficient affordability checks before it approved a credit card account for her.

What happened

Ms B says NewDay approved a credit card account for her in February 2021 with a credit limit of £1,200 and subsequently increased the credit limit to £2,450 in October 2021. Ms B says at those times she had a high amount of external debt and was only making the minimum payments and close to the credit limits on her other accounts. Ms B says if NewDay had carried out more thorough affordability checks it would have seen any new borrowing was unsustainable.

Ms B wants NewDay to refund all interest and charges along with 8% simple interest and remove any adverse entries on her credit file relating to this account.

NewDay says it is a responsible “low and grow” lender who provide credit to customers with perhaps a less than perfect credit background and look to increase the credit limit overtime, subject to the management of the account.

NewDay says before approving the initial credit limit of £1,200 and the subsequent limit increase to £2,450, it considered the information provided in Ms B's credit application alongside information available from credit reference agencies (CRA's).

On both occasions NewDay says the affordability assessment showed the borrowing was affordable and there was nothing on Ms B's credit file apart from a historic default to indicate any financial pressure. NewDay says Ms B had a healthy net disposable income, sufficient to meet any new borrowing and the credit limit increase it approved.

NewDay says it feels the credit card account was provided reasonably.

Ms B wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there are no set list of checks NewDay must carry out before it approved the credit card account, but these should be borrower focused.

The investigator says from the information he had seen, before NewDay agreed the credit card limit of £1,200, it completed a credit check using information provided by CRA's and also relied on information contained within Ms B's credit application. The investigator says there was no evidence of any current arrears or CCJ's and while there was a default recorded, this was over three years old and historic.

The investigator was satisfied the checks NewDay carried out at this time were reasonable and proportionate and the affordability assessment showed the borrowing was affordable.

The investigator felt when NewDay increased the limit to £2,450 only a few months later, it should have done more to establish Ms B's income. The investigator obtained copies of Ms

B's bank statements for the three months leading up to the limit increase, but felt this confirmed her net disposable income (NDI) was around £900 per month, which he felt was sufficient to meet the new limit NewDay had approved.

The investigator pointed out there were no further issues recorded on Ms B's credit file and he was satisfied the checks it had carried out were reasonable and proportionate and its decision to increase the limit was fair.

Ms B didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Ms B is experiencing financial difficulties and this has affected her mental wellbeing. When looking at this complaint I will consider if NewDay carried out reasonable and proportionate checks before it approved a credit card account for Ms B and subsequently increased the limit on that account.

Ms B feels NewDay should have done more to establish if the credit card limits it approved were affordable and sustainable, and if it had it would have seen she was already financially committed.

While I understand the points Ms B makes here, I'm not fully persuaded by her argument and I will go on to explain why.

It's important to mention here NewDay are what is known as a second chance, low and grow lender and provide credit to consumers with perhaps a less than perfect credit history. This means NewDay look to provide an initial fairly modest credit facility and then look to increase the facility over time, having seen the account managed within the terms of the agreement - therefore helping consumers like Ms B build their credit standing over time. So it's fair to say evidence of past credit issues wouldn't be a reason for NewDay to reject any credit applications it receives.

As the investigator has mentioned, there are no set list of checks a lender like NewDay must carry out before it approves credit to its customers. That said I would expect these to be borrower focused and take into account the amount, type, term and cost of any borrowing it approves. I should say here it's not for me to tell NewDay what those checks must consist of, or from what sources those checks should come from.

Here, I can see NewDay obtained data from established CRA's and information contained within Ms B's credit application. Before NewDay approved the initial credit card limit of £1,200 I can see it had checked Ms B's credit file and this showed relatively low levels of external borrowing and apart from a default over three years old, there were no CCJ's, payday loans or reportable arrangements. I can also see NewDay carried out an affordability assessment based on the data it had available at that time, and this showed Ms B was earning £21,500 per annum and had a strong net disposable income of around £900.

So with that in mind I am satisfied the checks NewDay undertook at that time were reasonable and proportionate and the credit limit of £1,200 looked affordable.

Arguably, when NewDay increased the credit limit to £2,450 in October 2021 it would have been prudent for it to have done more to establish Ms B's ability to sustain the repayments needed for this level of credit, given the level of increase and the short space of time here.

The investigator obtained bank statements from Ms B for the three months leading up to the credit limit being increased, which I'm satisfied was appropriate here. These statements show Ms B's income averaged around £1,700 per month, with her essential expenditure including finance costs at around £800 per month, leaving her with a NDI of around £900.

So it's reasonable to say even if NewDay had obtained that information, I am satisfied it would have still concluded the borrowing was affordable. NewDay also checked Ms B's credit file and this showed no further issues or obvious credit pressure with a relatively low debt to income ratio. I can also see that Ms B had maintained the operation of her credit card account with NewDay well, for the eight months leading up to the credit limit increase with low levels of utilisation. So I can't say there was any evidence to suggest Ms B was under any obvious financial pressure and that this level of borrowing wasn't affordable or sustainable.

Overall on balance, I'm satisfied NewDay's decision to increase the lending when it did was fair.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Ms B has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Ms B will be disappointed with my decision, I won't be asking anymore of NewDay.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 30 September 2025.

Barry White
Ombudsman