

The complaint

Mrs D complains that NewDay Ltd trading as BIP have irresponsibly lent to her.

Mrs D is represented by a Claims Management Company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mrs D herself.

What happened

Mrs D was approved for a BIP credit card in May 2022, with a £600 credit limit. I have detailed the credit limit increases below:

September 2022	£600 to £1,600
February 2023	£1,600 to £2,450
May 2023	£2,450 to £3,550

Mrs D says that BIP irresponsibly lent to her. Mrs D made a complaint to BIP, who did not uphold her complaint. BIP said that the account was provided responsibly, and the affordability assessments were appropriate and proportionate. Mrs D brought her complaint to our service.

Our investigator partially upheld Mrs D's complaint. She said that BIP shouldn't have increased the credit limit over £600. BIP asked for an ombudsman to review the complaint. They made a number of points. In summary, BIP said Mrs D's unsecured balances were similar at the account opening and the first credit limit increase, they said Mrs D had a sufficient disposable income to afford repayments for the September 2022 credit limit increase, and she didn't exceed her credit limit prior to the September 2022 credit limit increase.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"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 approve or increase the credit available to Mrs D, BIP needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks BIP have done and whether I'm persuaded these checks were proportionate.

Acceptance for the BIP credit card

I've looked at what checks BIP said they did when initially approving Mrs D's application. I'll

address the further lending decisions later on. Mrs D declared a gross annual income of £24,972. A CRA reported that Mrs D had previously defaulted on at least one account, with the last default being registered 25 months prior to the checks.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. So I've looked at what else BIP's information showed them, to see if they made a fair lending decision to accept Mrs D's application.

The data from the CRA showed that Mrs D had no County Court Judgements (CCJ's). The checks showed that Mrs D was not in arrears on any of her accounts at the time of the checks, or the six months prior to the checks.

The checks showed Mrs D currently had around a 36.36% debt to gross annual income ratio. So this would have equated to around £9,080 of unsecured debt. BIP received information from the CRA that Mrs D was paying £303 a month towards her monthly credit commitments.

BIP completed an affordability assessment. They calculated Mrs D's net monthly income and deducted outgoings based on information from a CRA about how much Mrs D paid towards her monthly commitments, and they used modelling for an estimation of her other outgoings. The affordability assessment showed that Mrs D should be able to sustainably make repayments for a £600 credit limit.

So I'm persuaded that BIP's account opening checks were proportionate, and they made a fair lending decision to approve the £600 credit limit.

September 2022 credit limit increase - £600 to £1,600

A CRA reported that Mrs D's active unsecured debt was at £9,115 at the time of the checks, which was not too dissimilar to the account opening checks. The CRA that BIP used did not report any arrears on any external accounts since the BIP account had been opened. BIP would have also been able to see how Mrs D operated her account since it had been opened.

Mrs D incurred no overlimit or late fees on the account since it had been opened at the time of the checks. Mrs D also made repayments which were higher than the requested repayment, as she made monthly repayments totalling £379.34 and £226.99, which could suggest she had the affordability to sustainably make repayments for a higher credit limit.

So I'm persuaded that the checks BIP completed for this lending decision were proportionate, and they made a fair lending decision to increase the credit limit to £1,600.

February 2023 credit limit increase - £1,600 to £2,450

One of the CRA's had reported to BIP that Mrs D's credit card debt was £13,166 at the time of the checks, which was nearly 50% higher than at the last lending decision checks. Although Mrs D hadn't had any arrears on any active accounts since the last lending decision, Mrs D's statement balance was more than her £1,600 credit limit on two occasions.

So based on the increase in active unsecured debt, and how she managed her account since the last credit limit increase, I'm persuaded that BIP should have completed further checks to ensure that Mrs D could afford repayments for a credit limit which was more than 50% higher than what it previously was.

There's no set way of how BIP should have made further proportionate checks. One of the things they could have done was to contact Mrs D to ask her why her active unsecured debt had risen, and why she had exceeded her credit limit two months in a row. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs D has provided her bank statements leading up to this credit limit increase. One of the statements Mrs D has sent us is a joint bank statement. As only Mrs D would be responsible for making repayments to her BIP account, I've disregarded the other account holder's income. But it also wouldn't be fair to include any outgoings on the statements that Mrs D doesn't pay for. Mrs D has told us that she split the bills 50/50 with the other account holder, and all of the outgoings from her sole account were her own.

Mrs D has salary credits of £1,731.75, £2,309.88 and £1,795.05. So it would appear the higher salary credit may include overtime/bonuses, and it may not be reflective of Mrs D's normal income.

I've noted there was a large credit entering the joint account on 2 November 2022. But after researching the company, it does appear that this was from a car sale, and I can see the majority of these funds were transferred to what appears to be the other joint account holder's sole account. So I've disregarded this credit and debit, as this would not be reflective of Mrs D's regular income.

There were a number of payments on both account statements to buy now pay later companies. I can see that a direct debit was reversed on the joint account statement, which was only for £18.25. Mrs D's sole account is overdrawn for the entire three month period I looked at. So I'm not persuaded that Mrs D had sufficient disposable income to afford sustainable repayments for a £2,450 credit limit. So I can't say that BIP made a fair lending decision here.

Future lending decision

If Mrs D's credit limit was not increased to £2,450, then it's probable that the further lending decision wouldn't have happened after this either. So I think there is an argument for saying that Mrs D's complaint about the subsequent lending decision should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in February 2023, then I'm not persuaded that BIP would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mrs D in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. Neither party responded to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask NewDay Ltd trading as BIP to take the following actions;

BIP should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £1,600 after 17 February 2023;

If the rework results in a credit balance, this should be refunded to Mrs D along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. BIP should also remove all adverse information regarding this account from Mrs D's credit file recorded after 17 February 2023;

Or, if after the rework the outstanding balance still exceeds £1,600, BIP should arrange an affordable repayment plan with Mrs D for the remaining amount. Once Mrs D has cleared the balance, any adverse information recorded after 17 February 2023 in relation to the account should be removed from Mrs D's credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If BIP considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs D how much they've taken off. They should also give Mrs D a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint in part. NewDay Ltd trading as BIP should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 1 October 2025.

Gregory Sloanes
Ombudsman