

The complaint

Miss M complains that NewDay Ltd trading as John Lewis Partnership Credit Card acted irresponsibly by agreeing to lend to her.

What happened

Around April 2024 Miss M applied for a revolving credit facility (credit card) with NewDay. Her application was successful and NewDay issued her with a credit card that had a credit limit of £1,200. Miss M said she used the credit limit very quickly and struggled to sustain her repayments. She complained to NewDay saying they hadn't properly checked whether the facility was affordable before they'd lent to her. She said if they had they would have seen she'd multiple loans and was over the credit limit on another credit card she had. Miss M also said NewDay should have seen she'd recently taken out a loan through an online platform associated with them.

NewDay said their checks were reasonable and proportionate. They'd considered Miss M's application, credit reference agency (CRA) and statistical data when assessing the affordability of the facility. And based on these checks Miss M should have had sufficient disposable income to sustain the repayments. Their checks didn't show Miss M to be financial vulnerable as she hadn't any missed payments, county court judgements (CCJ) or defaults. NewDay said they'd made a fair lending decision.

Miss M wasn't happy with NewDay's response and referred her complaint to us.

Our investigator said NewDay's checks had been reasonable and proportionate for the type and amount being borrowed. And that they'd made a fair lending decision.

Miss M didn't agree and asked for an ombudsman to decide.

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.

I appreciate Miss M will be disappointed by my decision but for me to say NewDay must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before NewDay offered the credit facility they needed to complete reasonable and proportionate checks to be satisfied Miss M would be able to repay the debt in a sustainable way.

In deciding what was proportionate NewDay needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

CONC says a lender should take reasonable steps to estimate a consumer's income and non-discretionary outgoings. It says a lender generally shouldn't solely rely on the consumer's declared income but seek verification through an independent source such as a CRA or third party. It also allows for the use of statistical data when estimating a consumer's non-discretionary outgoings.

What's important to note is that Miss M was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. NewDay were approving a credit limit of £1,200. So, I think they could have reasonably assumed Miss M would need to be able to sustain repayments of around £60 each month to clear the full amount owed within a reasonable period. I've considered the checks NewDay did and what these showed.

NewDay said they used Miss M's application data, her declared income and outgoings and cross checked this through a CRA check. As well as statistical modelling to assess whether the lending was affordable. Miss M said she'd an annual income of £45,000. NewDay said they carried out a Current Account Turn Over check with a CRA which assessed Miss M's monthly income to be £2,993.30. They determined Miss M had living costs of £491.31 and credit commitments of £257. This should have left Miss M with a disposable income of £2,244.99 before factoring in the new lending. Based on this NewDay decided the lending was affordable.

For the type and amount of credit being provided I'm satisfied the checks NewDay did were reasonable and proportionate. They'd checked Miss M's income, credit commitments and assessed other non-discretionary spending. I think this gave NewDay a good understanding of Miss M's income and outgoings. And I don't think that there was anything immediately obvious in the information that they had, including Miss M's existing credit, which meant they shouldn't rely on it. So, I don't think NewDay needed to have asked Miss M to provide further evidence in support of her expenditure before providing her with a credit limit in this instance. And based on these checks Miss M should have had sufficient disposable income to sustain her repayments.

Miss M said NewDay should have seen she'd recently taken out a loan associated to them. It's reasonable to say here I wouldn't expect lenders like NewDay to undertake the same level of intensive due diligence one might expect to see for say a larger committed long-term loan. And as the new loan was very recent its most likely this wouldn't have yet been visible on Miss M's credit file as it can take 30 days or more for this to happen.

Also given that NewDay's assessment showed Miss M to have a high level of disposable income I don't think factoring in the recent loan would have changed NewDay's lending decision as the credit card limit should still have been affordable without Miss M incurring financial duress. So, I'm satisfied the checks NewDay did were reasonable and proportionate and that this was sufficient for NewDay to conclude the new lending was affordable.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think NewDay lent irresponsibly to Miss M or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would given the facts of this complaint lead to a different outcome here.

Although I'm not upholding this complaint. I'd like to remind NewDay of their obligation to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Miss M is experiencing financial difficulty.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 December 2025.

Anne Scarr
Ombudsman