

## **The complaint**

Mrs S complains about the credit limit increases that were applied to her credit card account with NewDay Limited as she says that she has a low credit score and is struggling to pay her debts due to the interest that has been added to her account.

## **What happened**

Mrs S applied to NewDay for a credit card account in August 2022 and an account was opened for her with a credit limit of £1,500. The credit limit was increased in November 2022 to £2,850, in March 2023 to £3,950, in July 2023 to £5,200 and in March 2024 to £5,950. Mrs S complained to NewDay in April 2025 about the credit limit increases, but it didn't uphold her complaint as it said that it could find no evidence that it had made any errors when administrating her account. It described the payment arrangements and breathing space that had been applied to Mrs S's account and said that, as it charged interest and fees on the account as per the terms of the credit agreement, it wouldn't be able to refund any charges.

Mrs S wasn't satisfied with its response so referred her complaint to this service. Her complaint was looked at by one of this service's investigators who, having considered everything, didn't think that NewDay had acted fairly. He thought that NewDay gathered a reasonable amount of evidence and information from Mrs S about her ability to repay when she applied for the account, but he didn't think that a credit check was sufficient for the November 2022 credit limit increase. He thought that NewDay's lending decision when the account was opened was likely to have been affordable and fair but didn't think that it would have been appropriate for it to have increased Mrs S's credit limit in November 2022 and he said that it followed that the remaining limit increases were unfair too.

He recommended that NewDay should rework the account to remove all interest, fees, charges and insurances (not already refunded) that had been applied to balances above £1,500 after November 2022 and: if that resulted in a credit balance, it should be refunded to Mrs S, with interest, and NewDay should also remove all adverse information recorded after November 2022 regarding this account from Mrs S's credit file; or: if after the rework the outstanding balance exceeded £1,500, NewDay should arrange an affordable repayment plan with Mrs S for the remaining amount and, once she'd cleared it, any adverse information recorded after November 2022 in relation to the account should be removed from her credit file.

Mrs S has accepted the investigator's recommendation but NewDay has requested that the complaint be referred to an ombudsman for a decision. It says that Mrs S made monthly payments towards a mortgage, but the mortgage wasn't in her name so she's not legally liable for the repayments, but it appreciates that those payments should be included for housing costs when calculating affordability. It says that the bank statements provided don't indicate any signs of financial difficulty or suggest that payments to the credit card account were unaffordable.

### **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.

Mrs S had applied to NewDay for a credit card account and she declared that she had an annual income of £33,000. NewDay completed a credit check and looked at Mrs S's existing credit commitments before opening the account. NewDay was required to make reasonable and proportionate checks to ensure that any lending that it was to make to Mrs S would be sustainably affordable for her. I consider that the checks that it made were reasonable and proportionate for a credit card account with a credit limit of £1,500.

The credit limit on the account was increased by £1,350 to £2,850 in November 2022, only three months after the account had been opened, and in that time Mrs S had already reached the credit limit. NewDay has provided evidence to show that it made further credit checks before the credit limit was increased, but I consider that reasonable and proportionate checks would have required it to have gained a more detailed understanding of Mrs S's income and expenditure. I don't consider that the checks that it made at that time were reasonable and proportionate.

NewDay calculated from the information that it had obtained from the reasonable and proportionate checks that it made that Mrs S's net monthly income was £2,273.30 and that she had credit commitments requiring monthly payments of £594. It says that her cost of living was £492.95, so she had a monthly disposable income of £1,186.35. I consider that it was fair and reasonable for it to have concluded, on the basis of the reasonable and proportionate checks that it had made, that a credit card account with a credit limit of £1,500 was likely to be sustainably affordable for her. I don't consider that NewDay acted irresponsibly when it opened a credit card account for Mrs S with a credit limit of £1,500.

The investigator reviewed Mrs S's bank statements for the period around the time of the November 2022 credit limit increase to obtain information about her income and expenditure. There was no requirement for NewDay to have obtained and reviewed those statements as information about Mrs S's income and expenditure could have been appropriately obtained in other ways, but I consider that it's fair and reasonable for me to consider the information shown by those statements.

The investigator's review showed that Mrs S's income was approximately £1,800 each month, but there were other transfers into the account of variable amounts. He calculated that she spent approximately £1,600 each month on essential bills, clothing, food and other non-discretionary items, and that she also made regular transfers of between £300 and £800 to her husband which she said were towards their mortgage. NewDay says that the mortgage isn't in Mrs S's name, so she's not legally liable for the repayments, but it appreciates that those payments should be included for housing costs when calculating affordability. The investigator said that Mrs S sometimes used her overdraft facility and there was regular non-essential spending, even though Mrs S's expenditure usually exceeded the payments into the account. I can see that Mrs S was also paying a significant amount each month for her existing credit commitments, including a monthly payment of £502.49.

If NewDay had obtained information about Mrs S's income and expenditure, I consider it to be likely that it would have seen that her expenditure was regularly more than her income and that a credit limit increase to £2,850 on her credit card account wouldn't be sustainably affordable for her. NewDay says that the bank statements don't indicate any signs of financial difficulty or suggest that payments to the credit card account were unaffordable. Mrs S's account was regularly overdrawn, her expenditure usually exceeded the payments into her account and she had significant payments to her existing credit commitments. I consider that the bank statements do show signs of financial difficulty and suggest that payments to her credit card weren't affordable.

I don't consider that NewDay should have increased Mrs S's credit limit in November 2022, and it follows from that that it shouldn't have made the other increases in her credit limit in March and July 2023 and in March 2024. I consider that it's not fair or reasonable for it to have charged Mrs S any interest or fees on the credit that it provided to her that was in excess of £1,500 after the date of the November 2022 credit limit increase, but I consider that it's fair and reasonable that she should pay back to NewDay the amount of the credit that she has used. I find that it would be fair and reasonable in these circumstances for New Day to take the actions described below to put things right.

I've also considered whether NewDay acted unfairly or unreasonably in some other way, including whether its relationship with Mrs S might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Mrs S's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Mrs S in the circumstances of this complaint and I'm not persuaded that it would be fair or reasonable for me to require NewDay to take any actions, other than as described below.

### **Putting things right**

I find that NewDay should rework Mrs S's credit card account to remove all interest, fees and other charges that it has applied to the account on any credit in excess of £1,500 after the date of the November 2022 credit limit increase. If the reworking results in a credit balance, it should refund the credit balance to Mrs S, with interest on any credit balances that there would have been on the account at an annual rate of 8% simple. NewDay should also ensure that any adverse information about the credit card account that it's reported to the credit reference agencies for the period after the date of the November 2022 credit limit increase is removed from Mrs S's credit file.

If the reworking results in an outstanding balance that exceeds £1,500, it should agree an affordable repayment arrangement with Mrs S for the amount in excess of £1,500 and, when she's cleared that balance, it should also ensure that any adverse information about the credit card account that it's reported to the credit reference agencies for the period after the date of the November 2022 credit limit increase is removed from Mrs S's credit file.

HM Revenue & Customs requires NewDay to deduct tax from any interest to be paid to Mrs S. NewDay must give Mrs S a certificate showing how much tax it's deducted if she asks it for one.

**My final decision**

My decision is that I uphold Mrs S's complaint and order NewDay Limited to take the actions described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 11 December 2025.

Jarrod Hastings  
**Ombudsman**