

The complaint

Mr W complains that NewDay Ltd irresponsibly lent to him.

What happened

Mr W was approved for a NewDay branded credit card in March 2019 (which I will refer to as A in this decision), with a £900 credit limit. I have detailed the credit limit increases for A below:

December 2020	£900 to £1,700
April 2021	£1,700 to £3,200
September 2021	£3,200 to £4,200
July 2022	£4,200 to £5,700
June 2023	£5,700 to £6,700
May 2024	£6,700 to £8,000

Mr W was approved for another NewDay branded credit card in April 2024 (which I will refer to as B in this decision), with a £1,200 credit limit. He was approved for another NewDay branded credit card in July 2024 (which I will refer to as C in this decision), with a £1,200 credit limit).

Mr W says that NewDay irresponsibly lent to him, and he made a complaint to NewDay, who did not uphold Mr W's complaint. They said the lending was provided responsibly. Mr W brought his complaint to our service.

Our investigator partially upheld Mr W's complaint. He said the lending on B and C appeared to be affordable for Mr W, but NewDay shouldn't have increased the lending above £5,700 on A due to Mr W's falling disposable income of £487.67.

NewDay asked for an ombudsman to review Mr W's complaint. They said while the disposable income of £487.67 was lower than previous disposable income at earlier lending decisions, for the additional £1,000 credit, this disposable income would be sufficient.

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 the credit available to Mr W, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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 NewDay have done in date order and whether I'm persuaded these checks were proportionate.

Acceptance for A

The data shows that Mr W declared a gross annual income of £29,500. He was showing as defaulted on an account previously, with the last default being shown as being registered 17 months prior to the checks. A Credit Reference Agency (CRA) was also reporting a public record, such as a County Court Judgement (CCJ) on Mr W's credit file.

It may help to explain here that, while information like a default or a CCJ on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made, to see if they made a fair lending decision.

The information from a CRA showed that Mr W had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time of the checks for A, or for the six months prior to these checks.

The checks showed that Mr W had an active debt to declared gross annual income ratio limit of 9.97%, which would have equated to Mr W having around £2,941.15 of unsecured debt.

NewDay also completed an affordability assessment, using information Mr W gave them (such as his income), information from a CRA regarding how much he was paying on a monthly basis for his credit commitments, and modelling to estimate Mr W's other outgoings, which is an industry standard way of estimating outgoings. The affordability assessment showed that Mr W should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £900 credit limit.

So I'm persuaded that NewDay's checks for A were proportionate, and they made a fair lending decision to approve A with a £900 credit limit.

December 2020 credit limit increase on A - £900 to £1,700

A CRA reported that Mr W had active unsecured debt of £7,984 at the time of these checks, which was a lot higher than what a CRA reported at the account opening checks. Mr W had defaulted on at least one account between A being approved and this lending decision, although I note that 15 months had passed since the default and the checks for this lending decision. A CRA was showing Mr W as having an active payday loan at the time of these lending checks.

NewDay would have also been able to see how Mr W managed A since it had been opened. Mr W incurred four overlimit fees and one late fee since A had been open (although it does appear Mr W received a refund of one of these fees).

So based on the new default, the increase of the active unsecured debt, the active payday loan, and how Mr W had managed A since it was opened, I'm persuaded that NewDay should have carried out further checks to ensure the repayments on the almost doubling of the credit limit would be affordable and sustainable for Mr W.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Mr W to ask him why he had been in arrears and defaulted on an account. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr W has provided bank statements leading up to this lending decision. They sometimes show overdraft usage, however, there are no returned transactions so it appears Mr W is using an arranged overdraft. Using an overdraft in its own right wouldn't mean that Mr W

couldn't afford to make sustainable repayments for a higher credit limit on A.

The statements show Mr W is not constantly overdrawn. It does appear that Mr W has another account he was transferring money to and from, but as this account was relatively well managed and appeared to show disposable income in order to make affordable and sustainable repayments for the £1,700 credit limit, then I'm not persuaded it would be proportionate to ask Mr W to provide his statements for his other account.

So if NewDay would have requested Mr W's bank statements as part of a proportionate check, I'm persuaded that they still would have increased the credit limit, and they would have made a fair lending decision here.

April 2021 credit limit increase on A - £1,700 to £3,200

A CRA reported that Mr W had active unsecured debt of £7,651 at the time of these checks, which was slightly lower than at the last lending decision. Mr W had not defaulted on any active accounts since the last lending decision. And he opened no new payday loans leading up to this credit limit increase.

Mr W didn't incur any overlimit or late fees on his account since the last lending decision, and he made repayments which were typically higher than his requested minimum repayment, which I wouldn't expect him to make if he was struggling financially at the time. He also completed a balance transfer which may have saved him interest on an external account.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision.

September 2021 credit limit increase on A - £3,200 to £4,200

A CRA reported that Mr W had active unsecured debt of £3,955 at the time of these checks, which was significantly lower than at the last lending decision checks, which could suggest that not only could Mr W service his active external debt, but have disposable income in order to reduce this.

The CRA's reported no active accounts had been in arrears since the last lending decision. Mr W again didn't incur any overlimit or late fees on his account since the last lending decision, and he made repayments which were typically higher than his requested minimum repayment which I wouldn't expect him to make if he was struggling financially at the time.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision.

July 2022 credit limit increase on A - £4,200 to £5,700

A CRA reported that Mr W had active unsecured debt of £1,456 at the time of these checks, which was again significantly lower than at the last lending decision checks, which could suggest that not only could Mr W service his active external debt, but have disposable income in order to reduce this.

The CRA's again reported no active accounts had been in arrears since the last lending decision. Mr W again didn't incur any overlimit or late fees on his account since the last lending decision, and he made repayments which were typically higher than his requested minimum repayment which I wouldn't expect him to make if he was struggling financially at the time.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision.

June 2023 credit limit increase on A - £5,700 to £6,700

A CRA reported that Mr W had active unsecured debt of £11,506 at the time of these checks, which was significantly higher than at the last lending decision checks.

The CRA's again reported no active accounts had been in arrears since the last lending decision. Mr W again didn't incur any overlimit or late fees on his account since the last lending decision, and he made repayments which were typically higher than his requested minimum repayment, but there were several occasions where he reused this credit in a short period of time after he repaid it.

So based on the increase of active unsecured debt since the last lending decision, I'm persuaded that NewDay should have made further checks to ensure that the lending would be affordable and sustainable for Mr W.

Mr W has provided bank statements leading up to this lending decision. I have viewed account statements for two of Mr W's accounts as he transfers money between two accounts with the same bank. But I do note on a secondary account Mr W has sent us, one of the statements covers June 2023, which wouldn't have been produced at the time NewDay completed the checks for this lending decision.

Looking at the account statements there are times when Mr W does use an overdraft, however it appears to have been an arranged overdraft that he uses as I couldn't locate any returned payments.

I note that Mr W made several transactions to online gambling companies (excluding lotteries). In two of the three months I looked at (March and May 2023), his net deposits were between £250-£270, which he had the disposable income for. And I need to be mindful that gambling in its own right does not mean that Mr W wouldn't have the disposable income to afford a higher credit limit here, and it is a legitimate pastime to spend money on.

In the other month (April 2023) Mr W did make higher transactions to what appear to be online gambling companies totalling £750, but it appears that this was an outlier compared to the other two months (the month before, and the month after). I also note that Mr W did not appear to take out payday loans or unsecured loans to fund this. And £660 of this was spent on the same day (3 April 2023), without Mr W making similar value transactions later that month, further evidencing that this appeared to be an outlier over the three month period.

So if NewDay would have made further checks, such as viewing Mr W's bank statements, I'm persuaded that they would have still approved the credit limit increase as it appeared the repayments would be affordable and sustainable for him, and I'm persuaded that they made a fair lending decision here.

Acceptance for B

The data shows that Mr W declared a gross annual income of £54,000. He was showing as defaulted on an account previously, with the last default being shown as being registered 56 months prior to the checks. But as I mentioned earlier in this decision, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made, to see if they made a fair lending decision.

The information from what a CRA gave NewDay shows that Mr W had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time of the checks for B, or for the six months prior to these checks.

The checks showed that Mr W had an active debt to declared gross annual income ratio of 29.93%, which would have equated to Mr W having around £16,162.20 of active unsecured debt.

While this was higher than at the last lending decision, NewDay completed an affordability assessment, using information Mr W gave them, information from a CRA, and modelling. The affordability assessment showed that Mr W should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £1,200 credit limit.

So I'm persuaded that NewDay's checks for B were proportionate, and they made a fair lending decision to approve B with a £1,200 credit limit.

May 2024 credit limit increase on A - £6,700 to £8,000

A CRA reported Mr W's active unsecured debt to be £16,581 which was similar to the active unsecured debt when B was accepted. The CRA's again reported no active accounts had been in arrears since the last lending decision on A. Mr W again didn't incur any overlimit or late fees on his account since the last lending decision on A, and he made repayments which were typically higher than his requested minimum repayment without reusing the credit in the month after he repaid the credit.

As NewDay completed an affordability assessment in the previous month when B was approved, then I'm not persuaded that it would have been proportionate for them to have completed another affordability assessment here or requested Mr W's bank statements as this wouldn't have been proportionate for them to do so, based on what the checks showed for this lending decision.

So I'm persuaded that NewDay's checks were proportionate he, and they made a fair lending decision here.

Acceptance for C

The data shows that Mr W declared a gross annual income of £52,000. He was showing as defaulted on an account previously, with the last default being shown as being registered 59 months prior to the checks. But as I mentioned earlier in this decision, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made, to see if they made a fair lending decision.

The information from what a CRA gave NewDay shows that Mr W had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time of the checks for C, or for the six months prior to these checks.

NewDay would have been able to see from the data for A and B that prior to C being approved, Mr W's active unsecured debt was similar to the last lending decision NewDay made.

NewDay again completed an affordability assessment, using information Mr W gave them, information from a CRA, and modelling. The affordability assessment showed that Mr W should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £1,200 credit limit.

So I'm persuaded that NewDay's checks for C were proportionate, and they made a fair lending decision to approve C with a £1,200 credit limit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that NewDay lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here."

I invited both parties to let me have any further submissions before I reached a final decision. NewDay did not respond to the provisional decision. Mr W did not accept the provisional decision. I've summarized Mr W's points to try and protect Mr W's identity, but I can confirm to him that I've read everything that he's said.

Mr W said debts were getting out of hand, and the repayments on all of his credit commitments were becoming unsustainable. He said alongside NewDay, he had other bills and debt repayment, so he was gambling to try and win money to pay his bills as his income was unable to support himself and his family.

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'd like to thank Mr W for letting me know his personal circumstances, and I can empathise with what he's said. If Mr W is currently struggling with repayments to his lenders, then I would urge Mr W to contact the owners of his debt, explain his financial situation to them, and to see if they can show him forbearance with his repayments.

But as my role is impartial, I can't fairly say that NewDay would or should have been aware of Mr W gambling to try and win money to pay his outgoings based on what further checks would have shown for December 2020 and June 2023 when I was persuaded that NewDay should have completed further checks based on what his statements showed leading up to these two lending decisions. I have set out for each of the other lending decisions why I wasn't persuaded that further checks were needed.

In summary, Mr W's response hasn't changed my view, and my final decision and reasoning remains the same as in my provisional decision. If Mr W is disappointed, I hope he understands my reasons.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 December 2025.

Gregory Sloanes
Ombudsman