

The complaint

Mr C complains that NewDay Ltd lent to him irresponsibly when they provided him with two credit cards and increased his limit on a number of occasions.

What happened

In 2020, Mr C was provided with a credit card account by NewDay. The account came with a £500 limit. Around six months later Mr C's credit limit was increased to £1,500. Then a further four credit limit increases followed between 2021 – 2022, with the final limit increase taking place in July 2022, when it was increased to £5,750.

The second credit card account was set up in October 2022 with a credit limit of £1,200. There were two credit limit increases on this account in 2023. I've included a table below showing more detail around the dates and limits agreed.

Date	Event	Amount
30 June 2020	Account opening	£500
21 December 2020	Credit limit increase	£1,500
10 May 2021	Credit limit increase	£3,000
08 September 2021	Credit limit increase	£4,000
10 February 2022	Credit limit increase	£5,250
11 July 2022	Credit limit increase	£5,750

Date	Event	Amount
24 October 2022	Account opening	£1,200
01 February 2023	Credit limit increase	£2,050
26 May 2023	Credit limit increase	£3,300

In 2024, Mr C complained. In summary, he said NewDay had irresponsibly lent to him and that sufficient checks – to ensure his affordability status – hadn't been undertaken.

NewDay didn't uphold the complaint. They said, in summary, that they had carried out checks proportionate to the amount being lent; those checks hadn't revealed any concerns, and on that basis, the cards had been provided and the limit increases granted. So, they were satisfied they had lent responsibly.

Mr C disagreed; he still thought NewDay were wrong to have lent to him. So, he referred his complaint to this Service for independent review.

An Investigator here considered what had happened; having done so, she didn't think NewDay had done anything wrong. In short, the Investigator said:

- The majority of the checks carried out by NewDay were proportionate in the circumstances.

- The information gathered as a result of those checks wouldn't have given NewDay any cause for concern. And where checks should have gone further, it's likely those checks would've still evidenced that the credit granted was affordable for Mr C;
- There was nothing that would have suggested to NewDay that Mr C was struggling financially, and/or wouldn't be able to afford the repayments towards the credit.
- Any financial struggles, which did materialise for Mr C later, wouldn't have been apparent to NewDay at the time they provided Mr C with the credit.
- Overall, with that in mind, NewDay hadn't acted unfairly or unreasonably in providing these levels of credit to Mr C.

Mr C disagreed; he maintained he'd been irresponsibly lent to. So, as no agreement has been reached by the parties, Mr C's complaint has now been passed to me 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.

Having done so, while this will no doubt disappoint Mr C, I agree with the findings of our Investigator and for broadly the same reasons. I'll explain why.

The rules and regulations in place at the time Mr C was provided with the credit cards, and when the subsequent limit increases were granted, required NewDay to carry out a reasonable and proportionate assessment. That's to determine whether Mr C could afford to repay what he owed in a sustainable manner. This practice is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be borrower focussed; that is, relevant to Mr C. So, NewDay had to think about whether repaying the credit sustainably would cause him difficulties, or other adverse consequences. In other words, NewDay had to consider the impact of any repayments on Mr C.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g: their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether NewDay did what they needed to before agreeing to lend to Mr C.

Looking firstly at the credit card account that was arranged in June 2020, before agreeing to lend, NewDay checked data recorded with Credit Reference Agencies ("CRAs"); and it relied upon information provided by Mr C in his application. I've been provided the results of NewDay's checks and, in my view, the data they gathered didn't suggest that there was any real cause for concern.

Rather, information obtained from CRAs didn't show any recent defaults; nor was Mr C subject to an Individual Voluntary Arrangement ("IVA"). His last default was registered more than four years ago. And, while there was one County Court Judgment (CCJ), again, more than three years had passed since this was recorded. Mr C had been no more than one payment in arrears on any of his existing credit in the last six months, and he was fully up to

date with his repayments on his priority debts, such as his mortgage, with no arrears present.

NewDay recorded Mr C's self-reported income of £38,000 a year which equated to just under £2,200 a month. And, when they deducted his housing costs, his general living expenses, along with his credit commitments, they established that Mr C had a disposable income in excess of £800 per calendar month.

Given NewDay's findings, and the initial £500 credit limit being offered, I think NewDay's checks went far enough, and I think it was reasonable for them to conclude that the credit card would be affordable for Mr C on that basis.

Around six months after the initial lending was granted, NewDay increased Mr C's credit limit to £1,500. It seems that at the time, Mr C's income had increased, and his take home pay was now around £2,666 a month, which NewDay verified using a third-party credit reference agency. They also estimated his monthly expenditure for his living costs and rent. Based on the figures NewDay had pulled together, they calculated Mr C's monthly disposable income at around £1,500.

Mr C had remained within his credit limit so far. He had generally made overpayments towards his account, and he didn't have a significant amount of external debt elsewhere. So, I think again, the checks carried out here by NewDay were proportionate, and it wasn't unreasonable for them to conclude that the lending was affordable for Mr C based on the results of those checks.

While I think the checks were proportionate for the initial lending and the first credit limit increase, when NewDay chose to double Mr C's credit limit in May 2021, and then went on to approve a further three credit limit increases over the 14 months that followed, I think their checks should have gone further. I say this because the credit limits now available were significantly higher than those agreed originally. So, I think NewDay should've done more to satisfy themselves that the credit would remain affordable for Mr C.

To ensure these later limits remained affordable, I think that as well as carrying out a credit check, NewDay should've done more to confirm that the income and outgoings they were recording for Mr C were accurate. One way to do this would be by looking at his bank statements. To be clear here, I'm not suggesting that NewDay needed to review Mr C's bank statements, this was just one option available to them. But I've used Mr C's bank statements now, to obtain the information I think NewDay would have discovered, had they carried out proportionate checks at the time.

Having reviewed Mr C's bank statements, I can see that when the later credit limit increases were approved, Mr C's monthly income remained above £2,500 and was increasing. His disposable income at the time of the limit increase to £3,000 was around £450, and the subsequent increases saw this go up to over £600. At the time of each increase there was no new adverse information recorded against Mr C's name, including no defaults or public records. And, while his existing credit commitments had increased, the levels were still moderate compared to his income, and he was showing no signs of struggling to manage his repayments.

So, even though I think NewDay's checks should've gone further here, I'm satisfied that had they, NewDay still would have concluded that this lending would've been affordable for Mr C, and therefore not unreasonable for NewDay to have provided it. So, I make no award in respect of the first credit card NewDay agreed for Mr C.

Turning next to the second credit card agreement arranged in late 2022, at the time this credit card was taken out, NewDay noted that Mr C had managed his existing credit card payments well, with no evident issues. His annual income had increased to £44,000, from the £38,000 declared at the inception of the first agreement, and he did not appear to have any new adverse information or arrangements in place on any of his external credit.

However, while the initial limit being offered here wasn't substantial – at £1,200 – this was being approved in addition the £5,750 credit limit Mr C already had in place on the first card. In addition to this, it appears Mr C's external credit commitments had also increased, so again, I think NewDay's checks needed to go further, and that they should've done more to confirm Mr C's income and outgoings, both for the initial limit, and the two subsequent credit limit increases that followed. So, I've looked at Mr C's bank statements from the time, to see what I think NewDay would have found, had they carried out proportionate checks.

As well as NewDay's checks showing no new defaults, CCJs or IVAs, Mr C appeared to be managing his existing credit well, with just one missed payment against one item of credit in the six months prior. Mr C's bank statements also show a substantial monthly income, in excess of the sums being earned when the first card was taken out, which not only support NewDay's findings, but suggest Mr C's actual disposable income was considerably higher than the figures NewDay concluded.

Given the lack of adverse credit against Mr C's name; the considerable income Mr C was earning, and his strong repayment history on his existing credit with NewDay, while I accept NewDay's checks should've gone further, I'm satisfied that had they, NewDay would have still concluded that this lending would've been affordable for Mr C, and I'm satisfied it would not have been unreasonable for NewDay to have granted the credit in the circumstances. Therefore, I make no award in respect of the second credit card either.

So, while I am sorry to disappoint Mr C; I know this won't be the outcome that he's hoping for, it's for the reasons I've explained that I don't think NewDay acted unfairly or unreasonably when they provided him with these credit cards or when they later increased his credit limit. So, for these reasons, I won't be asking them to do anything further.

Finally, I've also considered whether the relationship might have been unfair under Section 140A (S140A) of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NewDay lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that S140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 December 2025.

Brad McIlquham
Ombudsman