

The complaint

Mr P complains that NewDay Ltd irresponsibly lent to him.

Mr P is represented by a solicitor's firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr P himself.

What happened

Mr P was approved for a NewDay branded credit card in November 2018 (which I will refer to as A in this decision), with a £4,000 credit limit. While the initial credit limit was £4,000, NewDay had a temporary credit limit of £500 straight away for Mr P to use A before his card arrived. I have detailed the credit limit increases below:

January 2020	£4,000 to £4,800
November 2020	£1,600 to £5,250
March 2021	£2,600 to £5,700
July 2021	£5,700 to £6,700
December 2021	£6,700 to £7,450

Mr P was approved for another NewDay branded credit card in January 2022 (which I will refer to as B in this decision), with a £600 credit limit. Mr P says NewDay irresponsibly lent to him, and he made a complaint to NewDay.

NewDay did not uphold Mr P's complaint. They said they considered the income and other information provided in Mr P's application alongside the information available from Credit Reference Agency (CRA) data. They said their checks were proportionate. Mr P brought his complaint to our service.

Our investigator partially upheld Mr P's complaint. She said that NewDay shouldn't have increased the credit limit to £4,000 so soon after the account had opened. NewDay asked for an ombudsman to review the complaint. They said that they would uphold the last lending decision on A to not be above £6,700, but they said their checks showed the £4,000 credit limit was affordable and sustainable for him.

In summary, Mr P said that NewDay's checks weren't proportionate, and they relied too much on their own internal processes as opposed to his real world circumstances.

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 P, 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

With the data that NewDay had sent our service, there was confusion regarding what Mr P's initial credit limit was, whether it was £500 or £4,000. But I'm satisfied that the initial credit limit was £4,000. And this is the figure which is showing on the initial checks. The confusion occurred as NewDay offered, and accepted Mr P for "Instant Spend". NewDay have explained that this provided Mr P with a temporary credit limit of £500 to use straightaway until his card arrived. So he had the temporary limit until the card arrived, and the limit reverted back to the initial £4,000 credit limit.

So when I've reviewed the account opening checks, I've seen whether NewDay made a fair lending decision to approve a £4,000 credit limit for Mr P. The data shows that Mr P declared a gross annual income of £22,256. He was showing as having no defaulted accounts previously, and no County Court Judgements (CCJ's).

The information from a CRA showed that Mr P 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 P had an active debt to declared gross annual income ratio limit of 43%, which would have equated to Mr P having around £9,570.08 of unsecured debt.

NewDay also completed an affordability assessment, using information Mr P 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 P's other outgoings, which is an industry standard way of estimating outgoings. The affordability assessment showed that Mr P should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £4,000 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 £4,000 credit limit.

January 2020 credit limit increase on A - £4,000 to £4,800

A CRA reported that Mr P had active unsecured debt of £21,451 at the time of these checks, which was a lot higher than what a CRA reported at the account opening checks. Mr P had no accounts in arrears since the last lending decision.

NewDay would have also been able to see how Mr P managed A since it had been opened. Mr P incurred no overlimit fees and no late fees since A had been open. NewDay completed another affordability assessment for this lending decision, and while there was disposable income showing after the affordability assessment, the net income figure used was a lot higher than what NewDay originally used.

While I can't rule out a promotion/pay rise/change of job for Mr P, I'm persuaded that due to the increase in the unsecured debt, and what the affordability assessment showed, then NewDay should have carried out further checks to ensure the repayments on the increased credit limit would be affordable and sustainable for Mr P.

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 P to ask him why his unsecured debt had increased since the last lending decision, and to verify his current income. 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 P has provided bank statements leading up to this lending decision. His bank account is in joint names, so I asked him if he could let me know his split of the income and expenditure. Mr P confirmed that all of the income and expenditure was his own, and he's told us the reason why this was set up as a joint account (I won't go into the reason here to protect his identity, but I'm happy to share the reason with NewDay separately if they query this).

I've no reason to doubt what Mr P has told me here, and it's clear that only one salary credits the account, which supports what Mr P has said. I did see a number of credits from people who shared Mr P's surname, so I asked Mr P about these credits. Mr P confirmed that these were from his parents, who would transfer money to him if he needed money to pay bills. So as this would not be regular guaranteed income, and it wasn't Mr P's income, I've disregarded these credits in seeing whether Mr P could meet the repayments for the increased credit limit.

I've also seen that Mr P had a loan credit his bank account on 7 October 2019 for £4,250.88 (he tells me this was a top up for an existing loan he already had). I can see he transferred £1,800 of this into a savings account.

I asked Mr P if he could provide the savings statements so I could get a fuller picture of his financial circumstances leading up to this complaint. Mr P has provided me with a savings statement. This shows prior to the £1,800 being moved into this account his balance was £0. And there were no transfers to the account showing after this. Mr P's bank statements don't show any further transfers to the savings account in the three month period I looked at.

As the £1,800 was from a loan, I can't fairly say that the loan proceeds would be available to help him make repayments for the increased credit limit, as it wouldn't be sustainable to borrow to make repayments for other borrowings. Mr P used some of the loan to make a higher than required repayment to A.

Mr P has an arranged overdraft of £1,000, and he is often close to his arranged overdraft limit. So if NewDay would have made further checks, they would have seen that Mr P recently took out further lending, without using the majority of this to pay off any unsecured debts, and he didn't appear to have the disposable income from his own income in order to make sustainable and affordable repayments for a £4,800 credit limit on A. So I'm not persuaded that NewDay made a fair lending decision here.

Further credit limit increases including B

If Mr P's credit limit was not approved for £4,800, then it's probable that the further lending decisions on A wouldn't have happened after this either. So I think there is an argument for saying that Mr P's complaint about the subsequent lending decisions on A 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 January 2020, then I'm not persuaded that NewDay would've added to the credit.

NewDay told us that they would uphold the complaint on A from the last lending decision in December 2021, as this is the point that they agreed the lending was unaffordable for Mr P (although I've set out in the previous section why I believe the lending was unaffordable from the increase to the £4,800 credit limit).

So as NewDay believe the December 2021 lending was unaffordable for Mr P, then I'm also

persuaded that Mr P's complaint about B should be upheld without making a finding on reasonable and proportionate checks, as I couldn't fairly say that Mr P's financial circumstances would improve so much in a month (December 2021 was the last lending decision on A, and January 2022 was when B was opened), to make B affordable and sustainable for Mr P.

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 Mr P in the circumstances of his 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. NewDay asked to see the statements that I based my provisional decision on, and they asked if I could extend the deadline for their response until 10 December 2025, but they did not provide a response by the agreed deadline extension.

Mr P said that when he took out A, the emails NewDay sent him did not give him any indication of any credit limit other than the £500 instant spend, and the full credit limit was not disclosed to him until the card was activated, so he didn't know how much credit they offered him, and the same goes for B when he wanted to complete a balance transfer (but they did not give him enough credit to complete the balance transfer he wanted to complete).

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've considered what Mr P has said about the emails that NewDay sent him did not give any indication of the credit limit other than the £500 instant spend. I don't doubt what Mr P has said here, and that is why I haven't requested to see the emails. But the important thing here, is that NewDay's initial checks show the £4,000 credit limit which they based the checks on, as opposed to £500, then shortly thereafter increasing the credit limit.

I've also considered what Mr P has said about the credit limit on B, but as I said in the provisional decision, I'm not persuaded that NewDay made a fair lending decision to approve B with a £600 credit limit. So the redress I've set out in the next section should provide fair redress to Mr P.

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

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 to take the following actions;

Card A:

NewDay 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;

Rework the account removing all interest, fees, charges, and insurances (not already

refunded) that have been applied to balances above £4,000 after 21 January 2020;

If the rework results in a credit balance, this should be refunded to Mr P along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mr P's credit file recorded after 21 January 2020;

Or, if after the rework the outstanding balance still exceeds £4,000, NewDay should arrange an affordable repayment plan with Mr P for the remaining amount. Once Mr P has cleared the balance, any adverse information recorded after 21 January 2020 in relation to the account should be removed from Mr P's credit file.

Card B:

NewDay 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;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mr P along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mr P's credit file;

Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mr P for the remaining amount. Once Mr P has cleared the balance, any adverse information in relation to the account should be removed from Mr P's credit file.

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

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

My final decision

I uphold this complaint in part. NewDay Ltd 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 Mr P to accept or reject my decision before 8 January 2026.

Gregory Sloanes
Ombudsman