

The complaint

Mrs S complains NewDay Ltd (NewDay) acted irresponsibly when it approved a credit card account for her and subsequently increased the credit limits on the account.

What happened

Mrs S says NewDay approved a credit card account for her in October 2018 and during the period between then and May 2021, it increased the credit limit on five occasions from the initial limit of £600 to £6,600. Mrs S doesn't feel NewDay carried out thorough enough financial checks and relied on external data rather than a deeper understanding of her true financial position and if it had, it would have seen the borrowing was unaffordable.

Mrs S wants NewDay to refund the interest and charges on the account along with 8% simple interest.

NewDay says it's a responsible lender who look to help customers to move forward with credit with perhaps a less than perfect credit background, by providing an initial modest credit limit and increasing this over time once a customer has demonstrated good account management.

NewDay says before it approved the initial modest credit limit in October 2018 and at each point the credit limit was increased over the following years, it carried out credit checks using data provided by recognised external sources and credit reference agencies (CRA's) to assess the affordability of any borrowing approved.

NewDay says on each occasion a credit limit was approved its credit checks showed there were no missed payments, no active payday loans, CCJ's, defaults or payment plans in place. NewDay says from its affordability assessments, at each time the credit limits were increased, it was satisfied Mrs S's net disposable income (NDI) was more than sufficient to meet the new level of credit approved. NewDay says the account was provided responsibly and its affordability assessments were appropriate and proportionate at the time.

Mrs S wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out that there are no set list of checks a lender like NewDay must carry out but these should be borrower focused.

The investigator says she could see NewDay carried out an affordability assessment with each credit limit increase. The investigator says NewDay relied upon industry standard external credit sources available, such as Current Account Turnover (CATO) and other CRA data alongside Mrs S's previous credit card account management. The investigator says from the information available there were no obvious signs of any financial issues other than occasional historic cash withdrawals and overall the account had been well run and often well within the credit limits available.

The investigator highlighted from the information she had seen, on each occasion the limit

was increased, this showed a reasonable level of NDI even after taking into account Mrs S's view of what her true income and expenses were. That said the investigator felt given the increased level of external debt showing on Mrs S's credit file, NewDay should have asked for further information from the point of time the limits were increased in July 2020 and May 2021, to £5,100 and £6,600 respectively.

The investigator looked at Mrs S's bank statements for the preceding three months leading up to both credit limit increases. From this the investigator felt Mrs S's NDI was still sufficient to meet her new increased commitment here and was satisfied NewDay's lending decision was fair.

Mrs S didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

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, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Mrs S is experiencing financial problems and that must be a source of worry for her. When looking at this complaint I will consider if NewDay acted irresponsibly when it approved a credit card account for Mrs S and subsequently increased the credit limits on the account over time.

The credit limits approved were as follows:

October 2018 - £600, March 2019 - £1,600, June 2019 - £3,100, September 2019 - £4,100, July 2020 - £5,100 and finally in May 2021 - £6,600.

Mrs S's complaint centres around the fact NewDay failed to carry out thorough enough financial affordability checks in line with its obligations at the time the credit limits were approved, and if it had it would have seen the borrowing was unaffordable. While Mrs S raised a separate complaint about the lack of support she received concerning a payment plan, that is a separate complaint and I am only considering here if NewDay lent irresponsibly, as explained by the investigator.

Both Mrs S and NewDay have provided this service with comprehensive details of the course of events here and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything that's been said – I have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

As the investigator has pointed out there are no set list of checks lenders like NewDay must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell NewDay what those checks must consist of, or from what sources those checks should come from.

It's worth saying NewDay are what is known as a low and grow lender and provide credit to consumers with perhaps a less than perfect credit score. This means NewDay often provide an initial modest credit facility and look to increase the facility over time, having seen the

account managed within the terms of the agreement and therefore helps consumers like Mrs S to build their credit standing over time.

From the information I have seen, on each occasion before the various credit card limits were approved, NewDay carried out credit searches, income and expenditure assessments using industry recognised credit sources such as CATO and data from CRA's. It's also fair to say over the period of time Mrs S had held her credit card account with NewDay, it built up a history of her account operation and management and from what I can see the account was managed well and within the terms and conditions, with no late or missed payments recorded. So it's reasonable to say under NewDay's low and grow approach it wouldn't be unreasonable for it to consider future credit limit increases as it did here.

Based on what I have seen at the time of each credit limit review by NewDay, there was no indication of any obvious external financial pressure, nor any indication on Mrs S's credit file of defaults, late payments, payment arrangements or CCJ's which may have been a source of concern. Mrs S feels NewDay failed to conduct thorough enough financial checks during the time the credit card limits were approved, but I'm not fully convinced of her argument here.

I say this because on each credit limit increase NewDay's affordability modelling relied on external data such as CATO to help understand the levels of income passing through Mrs S's bank account, to ensure her income levels were sustainable. From that and additional data provided by CRA's NewDay established Mrs S's estimated disposable income and that is much in line with the approach expected of it under its obligations. I can also see from taking that approach NewDay showed Mrs S's NDI to be more than sufficient to meet the ongoing credit increases it approved.

The investigator also carried out affordability assessments here after reviewing bank statements provided by Mrs S for three months leading up to the final two limit increases, as external borrowing levels had increased. Like the investigator I am satisfied these showed similar levels of income passing through Mrs S's bank account that NewDay had used in its own assessment.

While Mrs S feels strongly that her true level of income and expenditure hasn't been taken into account given her personal circumstance, the investigator has attempted to tailor a more accurate assessment of this, but even then this stills shows in all probability, at the time the lending was approved by NewDay, there was sufficient NDI available to meet these new credit limits. What I am being asked here is to tell NewDay it must carry out a more forensic understanding of Mrs S's income and expenditure on each occasion it approved a limit increase, but there is a limit to the extent I would expect of any lender given the level of borrowing it approved over what was a three year timeline.

Afterall as I have mentioned before, Mrs S's credit card account had been well managed during these periods and while modest levels of cash withdrawals had been seen historically, I can't see given the overall operation of the account this would be a major cause for concern here, nor a reason for NewDay to not approve the limit increases in line with its low and grow lending approach.

So on balance while Mrs S may not agree, from the affordability modelling NewDay carried out based on internal and external data sources, that was sufficient for it to conclude the new lending was affordable. It's also fair to say, even if NewDay had requested the bank statements the investigator obtained, there was nothing to suggest Mrs S was struggling financially in any way and the income passing through the account was much in line with what it had relied on in its affordability assessment.

So taking everything into account, I am satisfied NewDay's checks were reasonable and proportionate and its decision to increase the credit limits when it did was fair for the reasons I have already explained.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mrs S has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mrs S will be disappointed with my decision, I won't be asking anymore of NewDay.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 16 March 2026.

Barry White
Ombudsman