

The complaint

Mr M complains that NewDay Ltd (NewDay) irresponsibly raised the credit limit on his credit card.

What happened

Mr M's application for a credit card was accepted in November 2021, it was issued with an immediate Instant Spend option at account opening of £500, and the credit limit was raised to £900 shortly thereafter, when the physical credit card was issued. The credit limit was subsequently raised to £1,900 in October 2024.

Mr M raised a complaint with NewDay in August 2025. His concerns were that he believed he wasn't adequately assessed for credit by NewDay and as a result he was provided with credit which he couldn't afford due to his circumstances at the time.

NewDay didn't uphold the complaint. In summary, it thought it conducted proportionate checks and it provided the credit responsibly. Mr M was dissatisfied, and referred his complaint to the Financial Ombudsman Service, specifically raising his concerns around the credit limit increase to £1,900. Mr M stated that at the time of this increase, he was already experiencing financial difficulty, and that increasing his limit in these circumstances was irresponsible lending, as proper affordability checks should have shown he was not in a position to take on more credit.

An investigator considered Mr M's complaint and agreed with NewDay, on the basis that it had conducted reasonable and proportionate checks of affordability before applying the increase to the credit limit, and it wasn't unreasonable to lend.

Mr M disputed the Investigator's findings, highlighting unsatisfied defaults and a County Court Judgment (CCJ) on his credit file. The Investigator considered these further representations but, as the most recent default was 19 months old and the CCJ was 46 months old, he concluded they were historic and not indicative of financial difficulties at the time the increase was applied.

Mr M remained dissatisfied with the outcome and requested an Ombudsman's decision, so the case was 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, I have reached the same conclusion as the Investigator. I know this will be disappointing for Mr M, but I hope he'll understand my reasoning.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website, and I've used this approach to help me decide Mr M's complaint.

NewDay needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr M irresponsibly. It's not about NewDay assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Mr M. There is no set list of checks that it had to do, but it could take into consideration several different things, such as the amount of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

When Mr M applied for the credit card account, he provided details of his income (£48,000). NewDay used this information in conjunction with Credit Reference Agency (CRA) information and assumptions about his outgoings, to decide if the proposed borrowing was affordable and sustainable. The calculations performed by NewDay indicated an estimated disposable income of £1,817.15 at that time.

This data was again considered in October 2024, when the credit limit was increased. At that time, Mr M's estimated disposable income was calculated as around £2,385, based on an income of £3,307, financial commitments of £192, and rent and household expenditure of £730. NewDay also considered the information held within its own records relating to Mr M's conduct of his account, and data from the CRA file. NewDay said Mr M displayed positive behaviours prior to its decision to increase the credit limit, including maintaining his account, no significant or frequent cash withdrawals, no repayment arrangements with it or other lenders, etc.

Whilst much of this is accurate, overlimit charges were incurred between March 2022 and October 2022. During this period the credit limit on the account was £900 and the overlimit balances varied between £976.40 and £902.01. Whilst this can be indicative of financial difficulties, in this instance I don't believe it is. The reason I say this is that during this time the overlimit amounts ranged from very low to moderate, and at the same time Mr M was making regular payments, and sometimes very significantly more than the minimum payment required. Therefore, the fees for being overlimit were likely attributable to poor administrative management of the account, rather than being an indicator of difficulty in maintaining payments.

Similarly, there were a couple of late payments recorded, but I can see payments were ultimately made in each month (based upon the information reported to the CRAs), so again this appears to be an oversight rather than an indicator of any difficulties. There was a further late payment recorded in July 2023, and a Money Transfer was completed in September 2024, but the other account activity – regular payments, payments significantly above the minimum required, etc, do not suggest there was any financial difficulty.

So, overall, I believe NewDay conducted reasonable and proportionate checks before granting the credit limit increase. I have then considered whether it was fair to lend to Mr M.

It is clear there was some adverse data in Mr M's credit history; however, this was largely historic. The account balance had been maintained within the credit limit for around two years, and Mr M had made significant repayments during this time to the extent that the account balance was brought to zero, and the account itself was dormant for several months.

The assessment conducted by NewDay relied upon some assumptions in respect of salary and household expenditure, in conjunction with CRA data. This approach can be a reasonable method to use, providing there aren't other factors which suggest a deeper understanding of his circumstances was required.

Overall, I'm satisfied that in the circumstances (no recent adverse CRA data, the NewDay account being maintained, no apparent affordability issues, etc) the checks NewDay undertook were reasonable and proportionate and it was entitled to rely upon them when making a lending decision. So, it follows that I do not believe the decision to lend was unfair.

Mr M has strongly stated his belief that the historic defaults and the County Court Judgement on his record should have deterred NewDay from lending to him. I have carefully considered this point of view, but I don't agree.

NewDay is a company that may lend to customers with a less than perfect credit history. This means it may provide credit to customers who have previously experienced financial difficulties and, as a consequence, have historic issues recorded by the Credit Reference Agencies. Each business will decide its own appetite for risk and its target market. This doesn't mean that its obligations are any less when assessing a potential customer's ability to take on new credit. But, within the framework of regulation and guidance, it does allow NewDay to decide whether it is willing to lend to a customer who has previously displayed difficulties in managing their finances, providing it has first conducted reasonable and proportionate affordability assessments and the decision to lend is fair to the customer.

As noted, Mr M believes his outstanding CCJ and unsatisfied defaults should have precluded him from accessing credit. Yet, when considering his circumstances at the time of the credit limit increase, his financial position appears reasonably stable, and the affordability of the credit does not raise any concerns. I say this because at the time of the increase his NewDay account had a zero balance, as a result of Mr M paying significant sums to it. And, importantly in my view, Mr M took out several credit arrangements during the period between the NewDay card being issued and the date of the credit limit increase, which were maintained without any indications of financial difficulties.

Mr M feels strongly that his defaults on a utility account and other historic evidence of financial difficulties were ignored by NewDay. But these events were historic, and the defaults relating to the utility company were recorded as settled several years ago, so I don't believe they were a significant factor when assessing the affordability of the credit limit increase.

So, overall, I accept Mr M had some financial difficulties; however, I believe the information NewDay used to assess the increase to the credit limit was reasonable, and the enquiries it made were proportionate to the level of lending and Mr M's circumstances. Given Mr M's management of his NewDay account and other financial commitments during the period in question, I don't believe NewDay were remiss by not seeking additional information, and it made a legitimate business decision to provide credit, despite the previous issues recorded on Mr M's credit file.

In reaching my conclusions, I've also considered whether the lending relationship between NewDay and Mr M might have been unfair to Mr M under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that NewDay did not lend irresponsibly when increasing his credit limit. And I haven't seen anything to suggest that section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

It follows that I'm not upholding this complaint as I don't think NewDay Limited lent to Mr M irresponsibly or unfairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 February 2026.

David Hilton
Ombudsman