

The complaint

Miss B complains that NewDay Ltd irresponsibly lent to her.

What happened

Miss B was approved for a branded NewDay credit card in April 2018, with a £500 credit limit. The credit limit was increased five times, in May 2021 (to £1,500), October 2021 (to £3,000), February 2022 (to £5,000), July 2022 (to £6,600), and December 2022 (to £7,700). Miss B says this was irresponsibly lent to her. Miss B made a complaint to NewDay, who didn't uphold her complaint. NewDay said that the affordability assessments were appropriate and proportionate for the amount of credit given to her. Miss B brought her complaint to our service.

Our investigator said our service didn't have consent from NewDay to consider the initial lending decision as it was brought too late. But he said the checks for the credit limit increases were proportionate, and NewDay made fair lending decisions. Miss B asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she was paying almost her entire salary to the NewDay credit card, then using the card to pay for essential living costs, which was a red flag, she was in persistent debt, which should have triggered further checks from NewDay, along with the red flags.

Miss B said that her overall financial picture got worse, even though her active unsecured debt appeared to be reducing month on month. She said the overall fairness of the lending should be considered, and she forwarded some of her bank statements around the time of the lending.

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.

Firstly, I'm aware that I've only summarised Miss B's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I've considered what Miss B has said about using her card for essential living costs. To avoid repetition, I'll address this point here. It wouldn't be proportionate for NewDay to manually review every transaction on an account to see where a purchase has been made. And in a lot of instances, a transaction often may not be a true reflection of what was purchased at that merchant.

An example of this could be supermarket shopping. While a transaction may have been used to purchase food, there would be no way for NewDay to know this was to purchase food, as supermarkets often offer other items for purchase such as alcohol, lottery products, some offer clothing, and electrical appliances etc, so I wouldn't expect the specific merchant

transactions alone to mean lending wasn't affordable, as this wouldn't be fair.

Before agreeing to approve or increase the credit available to Miss B, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 and whether I'm persuaded these checks were proportionate.

Acceptance for the NewDay card

As Miss B has agreed with our investigator that this part of her complaint was brought too late for our service to consider, then I have not made a finding on whether NewDay made a fair lending decision here.

May 2021 credit limit increase - £500 to £1,500

I've looked at the information available to NewDay as part of this lending decision. Miss B's unsecured debt was a lot higher than at the account opening stage, as one of the CRA's reported it to be £46,090 (compared to £13,505 at the account opening stage). The CRA's did not report any external accounts in arrears at the time of the checks, and she hadn't been in arrears since her NewDay account had been opened.

NewDay would have been able to see how Miss B managed her account prior to this lending decision. Miss B did incur a late fee not long after she opened the account, but it appeared to be an oversight as the fee was refunded the following month, which usually occurs if someone notified NewDay they had made an oversight.

Miss B did make payments exceeding her minimum repayment to the account on multiple occasions, which I wouldn't expect her to make if she was struggling financially, and she wasn't spending more than her repayments to the account every month (or even in the last six months prior to these checks).

I've considered the increase to Miss B's unsecured debt to potentially be a sign of financial difficulty. But in doing so, I can see that Miss B's debt had been reducing from a high of £66,541 in March 2020, to £46,090, a reduction of over £20,000 in 14 months. NewDay were aware that Miss B was paying £819 a month towards her loan repayments at the time of this check.

And Miss B had not taken on any significant further debt in the twelve months prior to these checks, so it didn't appear as if she was hungry for credit around the time of these lending checks.

So based on there being no recent adverse information being reported from the CRA's to NewDay for Miss B, her repayments to the account, and how she managed the account in the 12 months prior to this credit limit increase, I'm not persuaded that it would have been proportionate for NewDay to make further checks such as requesting Miss B's bank statements. So I'm persuaded that NewDay's checks were proportionate, and they made a fair lending decision here.

October 2021 credit limit increase - £1,500 to £3,000

Miss B was showing as having unsecured debt of £43,122 at the time of these checks, which was lower than the last lending decision checks. At the time of these checks Miss B

appeared to be utilising around 38% of her overall revolving (such as credit cards/store cards/overdrafts etc) credit limits, so it didn't appear she was over-reliant on using all of the credit available to her.

Miss B was not in arrears on any of her active accounts at the time of the checks, and she hadn't been in arrears on any accounts since the last lending decision. She incurred no late or overlimit fees since the last lending decision.

The lowest monthly repayment Miss B made since the last credit limit increase was £491.36. So it would appear to NewDay that she would be able to sustainably afford repayments for a £3,000 credit limit, as she had been paying at least 16.37% of the new credit limit each month already. So again, it wouldn't have been proportionate for NewDay to have made further checks here.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to increase the credit limit to £3,000.

February 2022 credit limit increase - £3,000 to £5,000

A CRA reported to NewDay that Miss B had active unsecured debt of £42,550 at the time of these checks, which again was lower than the last lending decision checks. At the time of these checks Miss B appeared to be utilising around 59% of her overall revolving credit limits, so again, it didn't appear she was over-reliant on using all of the credit available to her.

Miss B was not in arrears on any of her active accounts at the time of the checks, and she hadn't been in arrears on any accounts since the last lending decision. Miss B incurred an overlimit fee on her NewDay account, but this would appear to NewDay to be an oversight as Miss B made repayments totalling £698.38 in the month she incurred the fee, and she made no late repayments.

The lowest monthly repayment Miss B made since the last credit limit increase was £357.42. So it would appear to NewDay that she would be able to sustainably afford repayments for a £5,000 credit limit, as she had been paying at least 7% of the new credit limit each month already. So again, it wouldn't have been proportionate for NewDay to have made further checks here.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to increase the credit limit to £5,000.

July 2022 credit limit increase - £5,000 to £6,600

A CRA reported to NewDay that Miss B had active unsecured debt of £40,979 at the time of these checks, which again was lower than the last lending decision checks. At the time of these checks Miss B appeared to be utilising around 65% of her overall revolving credit limits, so again, it didn't appear she was over-reliant on using all of the credit available to her.

Miss B was not in arrears on any of her active accounts at the time of the checks, and she hadn't been in arrears on any accounts since the last lending decision. Miss B incurred an overlimit fee on her NewDay account, but this would appear to NewDay to be an oversight as Miss B made repayments totalling £1,098 in the month she incurred the fee, and she made no late repayments.

The lowest monthly repayment Miss B made since the last credit limit increase was £572.90.

So it would appear to NewDay that she would be able to sustainably afford repayments for a £6,600 credit limit, as she had been paying at least 8.68% of the new credit limit each month already. So again, it wouldn't have been proportionate for NewDay to have made further checks here, such as requesting bank statements for Miss B.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to increase the credit limit to £6,600.

December 2022 credit limit increase - £6,600 to £7,700

One of the CRA's reported that Miss B had active unsecured debt of £38,816 at the time of these checks, which again was lower than the last lending decision checks. At the time of these checks Miss B appeared to be utilising around 68% of her overall revolving credit limits, so again, it didn't appear she was over-reliant on using all of the credit available to her.

Miss B was not in arrears on any of her active accounts at the time of the checks, and she hadn't been in arrears on any accounts since the last lending decision. Miss B incurred an overlimit fee on her NewDay account, but this would appear to NewDay to be an oversight as Miss B made repayments totalling £1,227.25 in the month she incurred the fee, and she made no late repayments.

The lowest monthly repayment Miss B made since the last credit limit increase was £359.60. So it would appear to NewDay that she would be able to sustainably afford repayments for a £7,700 credit limit, as she had been paying at least 4.7% of the new credit limit each month already. In addition to this, the total monthly payments for the three months leading up to this check were all over £1,000 each month. So again, it wouldn't have been proportionate for NewDay to have made further checks here, such as requesting bank statements for Miss B.

So I'm persuaded that NewDay's checks were proportionate here, and they made a fair lending decision to increase the credit limit to £7,700.

I've considered what Miss B has said about her paying almost her entire salary to the NewDay card. I'm sorry to hear that Miss B did this. But this wouldn't be apparent to NewDay. I say this as her payments were consistently higher than the minimum payment. So it wouldn't appear Miss B was having financial difficulty leading up to each credit limit increase. There would be no reason for NewDay to believe that she was doing this, based on her unsecured debt decreasing at each lending stage. And while I understand her loan repayments would reduce her overall unsecured debt, she wasn't utilising all of her credit limits on other credit cards.

I've considered what Miss B has said about being in persistent debt. But Miss B did not fall into the regulator's definition of persistent debt at the point of any lending decision NewDay made on the account – *“that the amount the customer has paid to the firm towards the credit card balance...over the immediately preceding 18 month period comprises a lower amount in principle than in interest, fees and charges”*.

While I appreciate that Miss B has forwarded her bank statements around the time of the lending, as it wouldn't have been proportionate for NewDay to have reviewed these, for the reasons given above, then I wanted to be clear to Miss B that I have not reviewed these statements, as this would not be proportionate.

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 Miss B or otherwise treated her 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.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 24 March 2026.

Gregory Sloanes
Ombudsman