

The complaint

Mr M complains that NewDay Ltd lent irresponsibly when it approved four credit card applications he made and later increased the limits.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr M successfully applied for four separate NewDay credit cards between September 2017 and November 2021. NewDay went on to approve various credit limit increases (CLIs) on three of the credit cards. I've set out the relevant dates and lending decisions below:

Marbles		
Event	Date	Limit
<i>App</i>	<i>Sep-17</i>	<i>£300</i>
<i>CLI1</i>	<i>Jan-18</i>	<i>£1,200</i>
<i>CLI2</i>	<i>May-18</i>	<i>£1,950</i>
<i>CLI3</i>	<i>Jun-21</i>	<i>£3,150</i>

Fluid		
Event	Date	Limit
<i>App</i>	<i>Feb-19</i>	<i>£600</i>
<i>CLI1</i>	<i>Jun-19</i>	<i>£1,600</i>
<i>CLI2</i>	<i>Jan-20</i>	<i>£2,400</i>
<i>CLI3</i>	<i>Jul-21</i>	<i>£3,900</i>
<i>CLI4</i>	<i>Oct-21</i>	<i>£5,400</i>

Pulse		
Event	Date	Limit
<i>App</i>	<i>Feb-20</i>	<i>£500</i>
<i>CLI1</i>	<i>Feb-20</i>	<i>£600</i>
<i>CLI2</i>	<i>Feb-21</i>	<i>£1,600</i>
<i>CLI3</i>	<i>May-21</i>	<i>£3,100</i>
<i>CLI4</i>	<i>Sep-21</i>	<i>£4,350</i>

Aqua		
Event	Date	Limit
<i>App</i>	<i>Nov-21</i>	<i>£600</i>

Before each credit card was approved, Mr M completed an application and gave his income. Mr M's annual income was given as £12,000 in September 2017 when he applied for the Marbles credit card, £30,000 in February 2019 when he applied for the Fluid credit card, £30,000 in February 2020 when he applied for the Pulse credit card and £22,000 in November 2021 when he applied for the Aqua credit card.

NewDay says that before each application and increase to a credit limit it checked Mr M's account history, credit file and carried out affordability assessments.

More recently, Mr M complained that NewDay lent irresponsibly and it issued a final response. NewDay's final response said that from February 2021 it appeared that Mr M's circumstances may've changed and it agreed to refund interest, fees and charges applied to balances over £600 from that date on the Pulse credit card. NewDay didn't agree it lent irresponsibly in relation to the other three credit cards it approved.

An investigator at this service looked at Mr M's complaint. They thought NewDay completed reasonable and proportionate checks before approving all four applications. The investigator also thought the credit limit increases were reasonably approved except for the ones NewDay had agreed to refund in relation to Mr M's Pulse account.

Mr M asked to appeal and said there were large variances in the credit exposure figures NewDay had used. Mr M also queried the affordability checks completed. As Mr M asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend or increasing the credit limit, the rules say NewDay had to complete reasonable and proportionate checks to ensure Mr M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As Mr M has complained about four separate credit cards NewDay approved I'm going to look at each in turn. As time goes on, the information about the earlier credit cards becomes relevant to the later accounts Mr M opened.

When Mr M applied for his Marbles credit card he gave an annual income of £12,000 that NewDay calculated left him with £900 a month net. An estimate of Mr M's general living expenses of £405 a month was used by NewDay in its affordability assessment. No rent figure was noted. A credit search found Mr M had no other unsecured debts and no adverse

credit, defaults or recent missed payments. I think the fact Mr M had no other active debts at the time and that the initial credit limit of £300 was low meant the risk of causing financial harm was reduced. I haven't seen anything in the application data for the Marbles credit card that would've indicated Mr M wasn't able to sustainably afford a credit limit of £300. In my view, NewDay completed reasonable and proportionate checks before approving Mr M's Marbles application. And I'm satisfied the decision to approve the Marbles application and issue a credit card with a limit of £300 was reasonable based on the information NewDay obtained. I haven't been persuaded NewDay lent irresponsibly when it approved Mr M's Marbles application.

The Marbles CLI1 was approved in January 2018 taking it to £1,200, quadrupling it. Mr M's other debts had increased to £254 but there was no other adverse credit, defaults or recent missed payments noted on his credit file. I can see there was a late fee applied to the Marbles account not long before CLI1 was approved. And given that was only the third month the credit card had been open, I think that was something NewDay should've considered. I also note there's no evidence of any affordability checks or credit scoring that was completed in the lending data provided by NewDay. And we know Mr M's monthly income was low at around £900 at this point, no allowance for rent was taken in the original lending assessment and that NewDay was increasing the existing limit of £300 to £1,200 which was significant. In the circumstances, I haven't been persuaded NewDay has demonstrated it completed reasonable or proportionate checks before approving CLI1. As a result, I recently asked our investigator to request bank statements from Mr M for three months before this (and subsequent) credit limit increases to get a clearer picture of his circumstances.

I found that Mr M's bank statements show he wasn't in receipt of regular income which matches what he's told us about working as a freelancer. I found Mr M's income was largely made up of payments received from what appears to be freelance work as well as payments from family members. I wouldn't expect NewDay to have based a credit limit increase on ad hoc payments Mr M was receiving from family. I found Mr M's paid income averaged around £1,250 in the three months before CLI1 was approved. I found Mr M's outgoings on things like his existing debts, utilities, supermarket shopping, transport and childcare came to around £1,315. I also found that Mr M took out a new loan of £3,000 with a lender I'll refer to as L in December 2017 and also borrowed £1,352 from family members as a loan in the same month. I think a more detailed set of lending checks before approving CLI1 would've shown NewDay Mr M's outgoings were higher than his regular income and that he was already borrowing at a reasonably high rate. I think better checks would've found Mr M was unlikely to be able to sustainably afford further credit limit increases and caused NewDay to decline to proceed. On that basis, I'm upholding Mr M's Marbles complaint from CLI1 and intend to direct NewDay to refund all interest, fees and charges applied to balances over £300 from January 2018 to the date of settlement.

I've also looked at Mr M's Fluid account that was opened in February 2019. I think Mr M made a good point in response to the investigator when he said the debt figures noted in the lending data seem at odds with each other. I found clear and considerable discrepancies between the amounts noted on the Marbles data for Mr M's unsecured debts and the ones noted on the Fluid lending data.

When Mr M applied for his Fluid credit card he gave an annual income of £30,000 that NewDay calculated left him with £1,787 a month net. Estimates for Mr M's rent of £394 and general living expenses of £441 were used by NewDay in its affordability assessment. The credit search found no new evidence of adverse credit, defaults or arrears. I note the credit file gave a monthly repayment for Mr M's unsecured debts of £75 and says he owed £1,848 in total. But the lending data for the Marbles account provides a running total of Mr M's unsecured debts and showed he actually owed £5,314 and was making monthly repayments

totalling £366. NewDay reached the view that Mr M had a disposable income of around £850 a month. But based on the actual repayments Mr M was making, that figure would've been closer to £595 a month. Even accepting Mr M's outstanding debts were higher, I think the disposable income figure reached indicated the new credit card with a limit of £600 was sustainable. In my view, NewDay's lending checks were reasonable and proportionate to the £600 credit limit it went on to approve for Mr M's Fluid credit card and haven't been persuaded it lent irresponsibly.

I've considered the information available for CLI1 on the Fluid account in June 2019. I note that the unsecured debt figure quoted in the Fluid data is substantially lower than the figures recorded on Mr M's Marbles lending data. The Fluid data says Mr M's other debts totalled £2,229 but the Marbles data for the same month gives a figure of £4,287. In addition, I note Mr M's income wasn't verified and that NewDay relied on credit scoring instead. But the credit scoring results will've been impacted by the artificially low unsecured debt figures used in the Fluid lending data. As a result, I'm unable to agree proportionate checks were completed before approving CLI1 for the Fluid account. I've gone on to review Mr M's bank statements for the preceding three months to try and get a clearer picture of his circumstances at the time.

Again, I looked at Mr M's regular paid income and outgoings for items like his unsecured debts, utilities, supermarket shopping, childcare, communications and transport. I found Mr M's paid income averaged £1,083 a month in the three months before CLI1 for the Fluid account was approved. And Mr M's outgoings averaged £2,577 a month in the same period. Mr M's bank statements show the deficit was being made up each month by transfers from family members. I also think it's reasonable to note that in May 2019 Mr M took another new loan, this time for £1,640. In my view, Mr M's bank statements show his outgoings were already more than his income and that he was in receipt of third party transfers each month to make ends meet. Mr M appears to have also been borrowing from other sources during this period to help cover his normal living costs. I think a more detailed set of lending checks would've shown NewDay Mr M was already over committed and unlikely to be able to sustainably afford an increase to his Fluid credit limit taking it from £600 to £1,600. In my view, NewDay lent irresponsibly when it approved CLI1 for the Fluid account. As a result, I intend to uphold Mr M's complaint about the Fluid credit card from CLI1 onwards and direct NewDay to refund all interest, fees and charges applied to balances over £600 from June 2019.

I've gone on to look at the Pulse application NewDay approved in February 2020. I can see that when NewDay assessed Mr M's Pulse application it checked his credit file and says he owed around £2,451, or 8.17% of the £30,000 income figure he gave. But, again, that figure is very much at odds with the credit file data shown on the Marbles lending file. The Marbles data shows Mr M owed around £19,738 in February 2020 and was making monthly repayments totalling £1,246. I've applied that figure to NewDay's affordability assessment for the Pulse application. In its affordability assessment, NewDay says Mr M had a net monthly income of £1,787, rent of £788, general living expenses of £441 and credit commitments of £104 leaving a disposable income of £402. But if we use the monthly repayment figure of £1,246 for Mr M's existing debts instead, that left Mr M with a negative disposable income figure of £688 a month. In my view, if NewDay had been working from accurate credit file information (that its Marbles lending file shows it was aware of) it would've found Mr M's outgoings were more than his income and taken the decision to decline his application. As a result, I'm upholding Mr M's complaint about the Pulse account from the date his application was approved and intend to direct NewDay to refund all interest, fees and charges applied.

Finally, I've also considered the Aqua application NewDay approved in November 2021. Again, I have concerns over the credit file information NewDay used in the Aqua application in November 2021. The Aqua application data returned an existing unsecured debt figure of

£11,910 but the Marbles lending file shows Mr M's unsecured debts totalled £17,694 with monthly repayments of £953. The information provided by NewDay doesn't include any affordability assessments it completed. But I can see Mr M gave an annual income of £22,000 and our investigator used a net monthly figure of £1,552 in their assessment. I've deducted £953 from that figure, leaving Mr M with £599 a month remaining to cover his other outgoings for items like rent and general living expenses. Given that in February 2020 NewDay calculated Mr M's rent as being £788 a month and general living expenses as £441 a month, it's clear that even if lower estimates were used Mr M would still have been unlikely to have had sufficient disposable income available to cover his other essential spending. In my view, the lending data provided by NewDay doesn't show it lent responsibly when it approved Mr M's Aqua application in November 2021. As a result, I intend to uphold this part of Mr M's complaint and direct NewDay to refund all interest, fees and charges applied to the Aqua credit card from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr M 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 respond with any additional comment or information they wanted me to consider before I made my final decision. Neither party responded.

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.

As no new information has been provided I see no reason to change the conclusions reached in my provisional decision. I still think Mr M's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr M's complaint and direct NewDay Ltd to settle as follows:

Marbles

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £300 from January 2018.
- If the rework results in a credit balance, this should be refunded to [Consumer] 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 recorded after January 2018 regarding this account from Mr M's credit file.
- Or, if after the rework the outstanding balance still exceeds £300, NewDay should arrange an affordable repayment plan with Mr M for the remaining amount. Once Mr M has cleared the outstanding balance, any adverse information recorded after January 2018 in relation to the account should be removed from their credit file.

Fluid

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £600 from June 2019.
- If the rework results in a credit balance, this should be refunded to Mr M 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 recorded after June 2019 regarding this account from Mr M's credit file.

- Or, if after the rework the outstanding balance still exceeds £600, NewDay should arrange an affordable repayment plan with Mr M for the remaining amount. Once Mr M has cleared the outstanding balance, any adverse information recorded after June 2019 in relation to the account should be removed from their credit file.

Pulse

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

Aqua

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

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Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2026.

Marco Manente
Ombudsman