

The complaint

Miss R complains that NewDay Ltd trading as Marbles lent irresponsibly when it approved her credit card application and later increased the limit.

What happened

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

Miss R applied for a Marbles credit card in September 2022. In her application, Miss R said she had an annual income of £32,000 that Marbles calculated left her with a net monthly income of £1,886. A credit search was completed that found Miss R had unsecured debts of around £1,900 with monthly repayments of £109. No County Court Judgements (CCJs), IVAs, payment arrangements, payday loans, defaults or recent arrears were noted by Marbles on Miss R's credit file.

Marbles completed an affordability assessment using monthly estimates of £436 for Miss R's rent and £445 for her general living expenses. After applying its lending criteria, Marbles calculated Miss R had a disposable income of £866 a month. Marbles approved Miss R's application and issued a credit card with a limit of £1,200.

Miss R used her credit card and incurred a late payment fee in November 2022. In January 2023 Marbles increased the limit on Miss R's credit card to £1,800. Before doing that, Marbles checked Miss R's credit file and found she now owed around £6,000 and was making loan payments of £47 and credit card payments of £517 a month. Marbles completed an affordability assessment using credit scoring. Marbles approved a credit limit increase to £1,800.

More recently, Miss R complained that Marbles lent irresponsibly and it issued a final response. Marbles said it had carried out the relevant lending checks before approving Miss R's application and increasing the limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss R's complaint. They thought Marbles had completed proportionate checks before approving Miss R's application and increasing the limit and that the decisions to lend were reasonable based on the information obtained. The investigator didn't uphold Miss R's complaint.

Miss R asked to appeal and said she had a defaults and missed payments on her credit file that weren't noted by Marbles. Miss R added that her income at the time was erratic and that she was in a difficult position. As Miss R asked to appeal her complaint her case 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 Marbles had to complete reasonable and proportionate checks to ensure Miss R 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.

I've set out the information that Marbles used when considering Miss R's application above. I can see Miss R gave her income as £32,000 and Marbles calculated a net monthly figure of £1,886. Miss R's told us her working pattern was erratic at the time and that she'd recently started a self employed role and was in receipt of benefits. But the information on file indicates Marbles verified Mrs R's declared income via a service provided by the credit reference agencies that monitors current account turnover (CATO). So I'm not persuaded it was unreasonable for Marbles to rely on that figure when considering Miss R's application.

Miss R's told us her credit file should've shown various defaults and credit issues. But the credit file results obtained by Marbles in September 2022 don't include any defaults or history of recent missed payments. The credit file results show Miss R's outstanding unsecured credit stood at around £1,900 and her monthly repayments of £109 were taken into account.

The affordability assessment used what I think are reasonable estimates for Miss R's rent and general living expenses. I should explain that the lending rules Marbles operates under allows it to use reasonable estimates for a borrower's outgoings. So whilst I accept Marbles didn't verify Miss R's outgoings, I'm satisfied it applied reasonable estimates when considering her application.

Marbles' lending assessment found Miss R had a disposable income of around £866 a month after covering her existing outgoings. In my view, that was a reasonable conclusion following proportionate checks. And I'm satisfied the decision to approve Miss R's application and issue a credit card with a £1,200 limit was reasonable based on the information Marbles obtained. I'm sorry to disappoint Miss R but I haven't been persuaded Marbles lent irresponsibly when it approved her credit card application.

I've reached a different conclusion to the investigator in terms of the checks completed before the credit limit increase. I note that Miss R's credit card had only been open for a few months before the credit limit increase was approved which meant there was only a limited history available. And Miss R incurred a late fee in November 2022, just two months before the credit limit increase was assessed. In addition, Miss R's unsecured debt levels had gone from under £2,000 in September 2022 to around £6,000 in January 2023. That's a substantial amount of new debt and indicates Miss R may've been borrowing at a high and unsustainable rate. Miss R's unsecured repayments also increased from £109 to around £564 a month. Again, that's a significant increase. I further note Marbles wasn't able to verify Miss R's income when it increased the credit limit. Taking all the above into account, I think

Marbles' lending checks should've gone further before increasing the credit limit. One option would've been to review Miss R's bank statements for the months before the credit limit increase which is the approach I've taken.

Miss R recently supplied copies of her current account statements covering October to December 2022. Miss R has explained that during this period her circumstances deteriorated and she had to move into cheaper accommodation. Miss R added that a lot of the payments received into her account related to the sale of personal belongings online, not earned income. Miss R said that her income at the time was irregular and variable.

I want to assure Miss R I've only used income being received into her account from benefits and payments received from her business. I found Miss R's income did vary with £983 being received in total in October 2022 and £3,297 in December 2022. I've taken an average over the three months which came to £2,209 a month. I can see that Miss R moved during this period and that she had rent of £995 a month from November 2022. I looked at Miss R's regular outgoings for items like her rent, credit commitments, fuel and supermarket shopping. I found Miss R had average outgoings of around £1,500 a month. That means Miss R had around £700 a month remaining after her priority outgoings were met to cover her remaining living expenses.

I note that Miss R's current account remained in credit throughout the three month period and that there were no returned payments or other obvious signs she was struggling. I think Miss R's bank statements show she had funds available to sustainably afford an increase to the Marbles credit limit of £600 taking it to £1,800. In my view, even if Marbles had completed more detailed lending checks, like reviewing Miss R's bank statements, it's most likely it would've still found a credit limit increase to £1,800 was affordable and decided to proceed. I'm sorry to disappoint Miss R but I haven't been persuaded Marbles lent irresponsibly when it approved the credit limit increase to £1,800 in January 2023. As a result, I haven't been persuaded to uphold Miss R's complaint.

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, for the reasons I've already given, I don't think Marbles lent irresponsibly to Miss R or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Miss R responded and made a number of points. Miss R said the income figures used when setting out the findings for the credit limit increase were wrong and lower than the details I'd used. Miss R said using the correct income figure she'd have had around £280 a month remaining, not £700. Miss R also queried the use of CATO to verify her income for the original application and said it was significantly lower. Miss R added the use of estimates for her outgoings in the affordability assessment didn't reflect the reality. In addition, Miss R noted her unsecured debts had increased between the application and credit limit increase.

We didn't receive a response from Marbles.

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'd like to thank Miss R for her detailed response. I'm going to focus on the issues I haven't already covered in the original decision I issued.

I understand Miss R says the use of CATO to verify her income during the application process in September 2022 didn't reflect her actual income. But the CATO results provided show the tool confirmed the income figure Miss R provided. I think it's fair to note the CATO service looks at current account turnover. So there's potential for third party credits being received to impact the results. But given Miss R said she was earning £32,000 and the CATO verification tool confirmed that figure, I'm satisfied it as reasonable for Marbles to use it in the application assessment.

Miss R's added that the estimates used in the affordability assessment failed to reflect her reality. But, as noted in the provisional decision, businesses can use reasonable estimates for a borrower's outgoings in an application where appropriate. The estimates are based on statistical data obtained from nationally recognised sources. I haven't see anything that indicates the use of estimates wasn't reasonable when considering Miss R's original application.

When I looked at Miss R's bank statements for the months before the credit limit increase was approved in January 2023, I said she had an average income of £2,209. But Miss R's response advised that was wrong. I've looked back at the bank statements. I can see that I included payments from an online payment provider I'll refer to as P in the income figure. I did that due to the nature of Miss R's business on the basis they were receipts for online sales. But I've disregarded them when relooking at the bank statements.

As Miss R said, her average income was around £1,780 a month and her average outgoings came to around £1,500 leaving her £280 a month as a disposable income. I think it's fair to note that the increase took Miss R's limit from £1,200 to £1,800. So I need to consider whether the £280 Miss R had remaining was sufficient to sustainably afford an increase of £600 to her credit limit.

Even accepting Miss R's income was around £1,780 a month, I think her bank statements show she could afford an increase to the credit limit taking it to £1,800. We would generally say a monthly payment of 5% of the outstanding balance would show a borrower could afford to sustainably make repayments. On that basis, the additional £600 credit Marbles approved would've added around £30 a month to Miss R's credit card payment. In my view, Miss R's disposable income of £280 a month was sufficient to sustainably afford repayments to the new credit limit of £1,800. I'm sorry to disappoint Miss R but even accepting her income figure was lower, I still think the credit limit increase was affordable.

I'm very sorry to disappoint Miss R but for the reasons I've noted above and in the provisional decision I haven't been persuaded to uphold her complaint.

My final decision

My decision is that I don't uphold Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 23 March 2026.

Marco Manente
Ombudsman