

The complaint

Mr R complains that NewDay Ltd irresponsibly lent to him.

What happened

Mr R was approved for a branded NewDay credit card in July 2018 (which I will refer to this as A in this decision), with a £450 credit limit. The credit limit on A was increased to £1,700 in July 2019. Mr R was approved for another branded NewDay credit card in February 2021 (which I will refer to this as B in this decision), with a £600 credit limit. Mr R was approved for another branded NewDay credit card in February 2022 (which I will refer to this as C in this decision), with a £1,200 credit limit.

Mr R says that NewDay irresponsibly lent to him. Mr R made complaints to NewDay, who did not uphold his complaints. They said the accounts were provided responsibly, and the affordability assessments were appropriate and proportionate. Mr R brought his complaints to our service.

Our investigator did not uphold Mr R's complaints. She concluded that she couldn't say any of the lending decisions were unfair. Mr R asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he was given three credit cards by NewDay, all with high interest rates, he was already in long term debt and when B was approved, he was mostly making minimum repayments to B.

Mr R said that he had multiple other credit agreements (including overdrafts, and car finance). He said he had to borrow from family to repay the balance on B. He said he was stuck in persistent debt, and NewDay would have been able to see his management across his different accounts.

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 Mr R's complaint points. And I'm not going to respond to every single point made by him. 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.

Although Mr R has said that the interest rates on the credit cards from NewDay were high, he would have needed to have agreed to the interest rates as part of the terms and conditions of the accounts when he applied for the accounts. So I can't fairly say that NewDay have acted against the terms and conditions here.

Before agreeing to approve the credit available to Mr R, NewDay needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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 in date order and whether I'm persuaded these checks were proportionate.

Acceptance for A

I'll address the further lending decisions below. The data shows that Mr R declared a gross annual income of £18,000. A Credit Reference Agency (CRA) was reporting no public records, such as a County Court Judgement (CCJ) on Mr R's credit file. They also reported that Mr R had no defaulted accounts.

The information from a CRA showed that Mr R had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time of the checks for A, or for the six months prior to these checks. The checks showed that Mr R had an active debt to declared gross annual income ratio of 6.31%, which would have equated to Mr R having around £1,135.80 in active unsecured debt at the time of the checks.

NewDay also completed an affordability assessment, using information Mr R gave them (such as his income), information from a CRA regarding how much he was paying on a monthly basis for his credit commitments, and modelling to estimate Mr R's other outgoings, which is an industry standard way of estimating outgoings. The affordability assessment showed that Mr R should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £450 credit limit.

So I'm persuaded that NewDay's checks for A were proportionate, and they made a fair lending decision to approve A with a £450 credit limit.

July 2019 credit limit increase on A - £450 to £1,700

A CRA reported that Mr R's active unsecured debt was £2,970, which was not significantly higher than when A was opened. The CRA did not report any accounts in arrears at the time of these checks, and he had no arrears showing on his accounts in the six months prior to this credit limit increase.

NewDay would have also been able to see how Mr R used A since it had been opened. Mr R did incur three late payment fees and one overlimit fee since A had been opened, but it appears as if these were oversights. I say this because Mr R made a repayment in each month he was required to. And some of these repayments were a lot more than the requested monthly minimum repayments. In the month after Mr R incurred the overlimit charge, he made a total monthly repayment of £235.90 to the account. As Mr R's statement balance showed he was £26.22 over his credit limit, then he wouldn't need to pay as much to go back within his credit limit.

Mr R did not incur any charges in the six months leading up to this credit limit increase. So I can't fairly say that NewDay ought to have thought Mr R had any financial difficulties leading up to this credit limit increase. NewDay also completed an affordability assessment, including information from a CRA regarding his monthly credit commitments, and the results showed that the repayments for an increased credit limit to £1,700 should be sustainable and affordable for Mr R.

So based on the information in the six months leading up to this credit limit increase showing no late/overlimit fees, and no adverse credit information on his credit file during these six months, then it wouldn't have been proportionate for NewDay to have requested any further information from Mr R, such as requesting his bank statements prior to this credit limit

increase, especially based on the affordability assessment results.

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

Acceptance for B

The data shows that Mr R declared a gross annual income of £31,000. A CRA was reporting no public records, such as a CCJ on Mr R's credit file. They also reported that Mr R had no defaulted accounts.

The information from a CRA showed that Mr R had no repayment plans, and no payday loans, but he was in arrears on at least one active account he held at the time of the checks for B. The checks showed that Mr R had an active debt to declared gross annual income ratio of 96.2%, which would have equated to Mr R having around £29,822, in active unsecured debt at the time of the checks, which was significantly higher than at the last lending decision.

NewDay would also have access to see how Mr R was using A around the time of these checks. Leading up to the acceptance of B in February 2021, Mr R was typically paying more than his minimum repayment, which could suggest he had the affordability to take on more credit, however, prior to three months earlier than B was approved, he had a number of late payment fees that he incurred on A.

So based on the increase of unsecured debt and the current arrears showing on his credit file, I'm persuaded that NewDay should have completed further checks to ensure the repayments for the £600 credit limit would be affordable and sustainable for Mr R.

There's no set way of how NewDay should have made further proportionate checks. One of the things they could have done was to contact Mr R to ask him why his unsecured debt had been increasing and why he was in arrears on an account, and to ensure he could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Our investigator asked Mr R for his bank statements leading up to this lending decision, but Mr R did not provide these by the deadline she set, even though she extended the deadline for him.

So on the face of it, it does look like NewDay should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that NewDay should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr R hasn't provided our investigator with the information she asked for, that means that it wouldn't be fair for me to say that NewDay shouldn't have lent here, because I don't know what further checks would reveal.

Acceptance for C

The data shows that Mr R declared a gross annual income of £36,000. A CRA was reporting no public records, such as a CCJ on Mr R's credit file. They also reported that Mr R had no defaulted accounts.

The information from a CRA showed that Mr R had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time of the checks for C, or

for the six months prior to these checks. The checks showed that Mr R had an active debt to declared gross annual income ratio of 7.4%, which would have equated to Mr R having around £2,664 in active unsecured debt at the time of the checks, which was significantly lower than at the last lending decision.

At the time of these checks, Mr R had already paid off his outstanding balance on B, but as Mr R had an outstanding balance on A at the time of the checks for C, they would have been able to see how he was managing A leading up to this lending decision. In the three months leading up to this lending decision, Mr R was repaying almost twice his minimum requested repayment, which I wouldn't expect Mr R to be able to do if he was struggling financially around the time C was approved, not to mention being able to reduce his overall total debt significantly since the last lending decision.

So if Mr R was borrowing from friends and family, there wouldn't be signs of this as this wouldn't show on his credit file. And especially as he was paying more than he was required to pay instead of just meeting his minimum repayment.

It also didn't appear that Mr R was in the regulator's definition of persistent debt on his NewDay cards at the time of these checks – *“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”*. I say this as Mr R had paid over £600 on B to clear the balance, and he was paying almost double the minimum repayments on A prior to the lending checks on C.

NewDay also completed an affordability assessment, using information Mr R gave them (such as his income), information from a CRA regarding how much he was paying on a monthly basis for his credit commitments, and modelling to estimate Mr R's other outgoings, which is an industry standard way of estimating outgoings. The affordability assessment showed that Mr R should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £1,200 credit limit.

So I'm persuaded that NewDay's checks for C were proportionate, and they made a fair lending decision to approve C with a £1,200 credit limit.

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 Mr R or otherwise treated him 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 Mr R to accept or reject my decision before 26 March 2026.

Gregory Sloanes
Ombudsman