

## **The complaint**

Mr G complains that NewDay Ltd irresponsibly lent to him.

## **What happened**

Mr G was approved for a NewDay branded credit card in March 2023, with a £1,500 credit limit. I will refer to this account as A in this decision. The credit limit on A was increased five times. It increased to £2,750 (in July 2023), £3,750 (in November 2023), £4,500 (in April 2024), £5,250 (in August 2024), and to £5,500 (in June 2025).

Mr G was approved for a different NewDay branded credit card in November 2023, with a £1,200 credit limit. I will refer to this account as B in this decision. The credit limit on B was increased three times. It increased to £2,450 (in May 2024), £2,750 (in September 2024), and to £3,750 (June 2025). Mr G says the credit was irresponsibly lent to him. Mr G made a complaint to NewDay, but NewDay did not uphold his complaint. Mr G brought his complaint to our service.

NewDay told our service that they would uphold A and B from the June 2025 lending decisions. Our investigator said to Mr G that this was fair. Mr G asked for an ombudsman to review his complaint. He said that he didn't believe NewDay looked properly at his circumstances when increasing his credit limits. He summarised that he was using debt to pay debt.

## **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.

Before agreeing to approve or increase the credit available to Mr G, 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 and whether I'm persuaded these checks were proportionate. For ease of reading I have listed these decisions in date order that they were made.

### *Acceptance for A*

The data shows that Mr G declared a gross annual income of £45,000. He was showing as defaulted on an account previously, with the last default being shown as being registered 53 months prior to the checks.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks NewDay made, to see if they made a fair lending decision.

The data the CRA told NewDay included that Mr G had not been in arrears on any active accounts in the previous six months. The checks showed that Mr G had an active debt to declared gross annual income ratio limit of 24.08%, which would have equated to Mr G having around £10,836 of active unsecured debt.

NewDay also completed an affordability assessment, using information Mr G 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 G's other outgoings, which is an industry standard way of estimating outgoings. The affordability assessment showed that Mr G should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £1,500 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 £1,500 credit limit.

#### *July 2023 credit limit increase on A - £1,500 to £2,750*

A CRA reported that Mr G's active unsecured debt was £12,714, which was not substantially higher than at the opening checks. Mr G was showing as having no external accounts in arrears since the account opening checks either.

NewDay would have also been able to see how Mr G used A prior to this credit limit increase. Mr G incurred no overlimit or late fees since the account had been open. He was not close to his credit limit at the time of the checks, and he had been making three figure repayments each time he was required to make a repayment, which I wouldn't expect Mr G to be able to do if he was financially struggling leading up to this lending decision.

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, and November 2023 credit limit increase on A - £2,750 to £3,750*

As these lending decisions were made 16 days apart, in the same month, then I have included both these lending decisions in this section to avoid duplicating information.

The data shows that Mr G declared a gross annual income of £52,000. So it would appear that he had a pay rise since A was accepted. Mr G was showing as having no new defaults since A was approved. The information from what the CRA gave NewDay was that Mr G had no repayment plans, no payday loans, and he was not in arrears on any active accounts he held at the time.

The data the CRA told NewDay included that Mr G had not been in arrears on any active accounts in the previous six months. The checks showed that Mr G had an active debt to declared gross annual income ratio limit of 31.52%, which would have equated to Mr G having around £16,390.40 (£16,646 when A's credit limit checks were completed) of active unsecured debt, which was not significantly higher than at the last lending checks on A.

NewDay again completed an affordability assessment, using information Mr G gave them, information from a CRA, and modelling to estimate Mr G's other outgoings. The affordability assessment showed that Mr G should have a sufficient disposable income in order to meet sustainable and affordable repayments for a £1,200 credit limit on B, and a £3,750 credit limit on A.

But NewDay would have also been able to see how Mr G used A since the last lending decision. Mr G incurred no late or overlimit fees on A since the last lending decision. And he

made three figure repayments in two of the four statement periods prior to the credit limit increase. In one of the other statement periods he made repayments totalling more than the minimum repayment. So again, there was no sign of financial difficulty here as Mr G often repaid higher repayments than he was required to, and he had no recent adverse information being reported by the CRA. So it wouldn't appear he was using debt to pay debt.

So I'm persuaded that NewDay's opening checks for B and the checks for the increased credit limit on A were proportionate, and NewDay made fair lending decisions here.

*April 2024 credit limit increase on A - £3,750 to £4,500*

A CRA reported that Mr G's active unsecured debt was £17,157, which was not too dissimilar to the last lending decision checks on A. Mr G was showing as having no external accounts in arrears since the last lending decision checks either.

NewDay would have also been able to see how Mr G used both A and B prior to this credit limit increase. Mr G incurred no overlimit or late fees on either account since the last lending decision. Mr G had at times been making overpayments to his account (including one occasion where he made a four-figure repayment on A, and a three-figure repayment on B), which I wouldn't expect Mr G to be able to do if he was financially struggling leading up to this lending decision.

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.

*May 2024 credit limit increase on B - £1,200 to £2,450*

A CRA reported that Mr G's active unsecured debt was £26,073, which was a lot higher than in the previous month when NewDay completed their checks for A in the month earlier to this. But I can see that this was because Mr G appeared to take out a personal loan/hire purchase agreement.

While Mr G's active unsecured debt had increased since the last lending decision, NewDay received information from the CRA regarding the increased loan repayments. So they were able to include this information into an affordability assessment that they completed which showed Mr G would have enough disposable income in order to make sustainable and affordable repayments for a £2,450 credit limit.

But I've looked to see if there were any other signs of financial difficulty leading up to this credit limit increase. Mr G was showing as having no external accounts in arrears since the last lending decision checks.

NewDay would have also been able to see how Mr G used both A and B prior to this credit limit increase. Mr G incurred no overlimit or late fees on either account since the last lending decision. And as I mentioned in the previous section, Mr G had at times been making overpayments to his account (including one occasion where he made a four figure repayment on A, and a three figure repayment on B), which I wouldn't expect Mr G to be able to do if he was financially struggling leading up to this lending decision.

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

*August 2024 credit limit increase on A - £4,500 to £5,250*

A CRA reported that Mr G's active unsecured debt was £30,263, which was not significantly

higher than the last lending decision checks on B. Mr G was showing as having no external accounts in arrears since the last lending decision checks either.

NewDay would have also been able to see how Mr G used both A and B prior to this credit limit increase. Mr G incurred no overlimit or late fees on either account since the last lending decision. Mr G had at times been making overpayments to B by making three figure repayments, including repayments totalling £600 in one month, which I wouldn't expect Mr G to be able to do if he was financially struggling leading up to this lending decision. And it wouldn't be proportionate for him to borrow money to make such large repayments on the account which were a lot higher than he was required to pay.

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.

#### *September 2024 credit limit increase on B - £2,450 to £2,750*

A CRA reported that Mr G's active unsecured debt was £31,092, which was not too dissimilar than in the previous month when NewDay completed their checks for A in the month earlier to this. And Mr G was again showing as having no external accounts in arrears since the last lending decision checks.

NewDay would have also been able to see how Mr G used both A and B prior to this credit limit increase. Mr G incurred no overlimit or late fees on either account since the last lending decision. And as I mentioned in the previous section, Mr G had at times been making overpayments to his account (including total repayments on B of £600 in one month), which I wouldn't expect Mr G to be able to do if he was financially struggling leading up to this lending decision. And it wouldn't be proportionate for him to borrow money to make such a high repayment to his account which was far in excess of what he was required to pay.

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

#### *June 2025 credit limit increases on both A and B*

As NewDay have offered to uphold Mr G's complaint from these two lending decisions, then I am not minded to interfere with this. Instead, I have considered whether the redress is in line with our service's approach for these types of complaints.

NewDay have provided redress in line with what I would have asked them to do if they did not uphold the complaint from this point, and if I did uphold the complaint from this point. So I'm not persuaded that NewDay need to provide further redress here. But for transparency, I will set out the redress at the end of this decision.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, the redress NewDay have offered Mr G results in fair compensation for Mr G 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.

Mr G has told us that he was part of an Individual Voluntary Arrangement (IVA). While I acknowledge that NewDay weren't part of the IVA, I would urge Mr G to contact his Insolvency Practitioner prior to him accepting this decision (if he chooses to do so), for them to let him know how this would (or if it would) affect his IVA.

## **Putting things right**

NewDay have suggested that they take the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if NewDay do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

## **My final decision**

I uphold this complaint in part. NewDay Ltd should take the following actions;

Card A:

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £5,250 after 20 June 2025;

If the rework results in a credit balance, this should be refunded to Mr G along with time weighted Bank of England base rate plus 1% 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 G's credit file recorded after 20 June 2025;

Or, if after the rework the outstanding balance still exceeds £5,250, NewDay should arrange an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the balance, any adverse information recorded after 20 June 2025 in relation to the account should be removed from Mr G's credit file.

Card B:

NewDay should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £2,750 after 20 June 2025;

If the rework results in a credit balance, this should be refunded to Mr G along with time weighted Bank of England base rate plus 1% 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 G's credit file recorded after 20 June 2025;

Or, if after the rework the outstanding balance still exceeds £2,750, NewDay should arrange an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the balance, any adverse information recorded after 20 June 2025 in relation to the account should be removed from Mr G's credit file.

We still don't know if Mr G's insolvency practitioner needs to be told about this settlement. But any sum of money he receives could affect the terms of his Individual Voluntary Arrangement (IVA) - so it's really important that he lets them know.

*\*If NewDay considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr G how much they've taken off. They should also give Mr G a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 April 2026.

Gregory Sloanes  
**Ombudsman**