

The complaint

Mr H complains that NewDay Ltd lent irresponsibly in relation to two credit card accounts.

What happened

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

Mr H successfully applied for an Aqua credit card with NewDay in 2018. Mr H later raised an irresponsible lending complaint about his Aqua account with NewDay. The complaint was referred to this service and ultimately upheld by an ombudsman's decision in August 2022, awarding a full refund of interest, fees and charges applied to Mr H's Aqua credit card. The ombudsman's decision also said that if an outstanding balance remained NewDay should work with Mr H to agree an affordable repayment. The complaint was settled in October 2022 and Mr H went on to make payments of £20 a month towards the outstanding balance.

Mr H applied for a John Lewis credit card with NewDay in November 2022, around a month after his previous Aqua complaint was settled by NewDay. In this application, Mr H gave an annual income of £37,000 that NewDay calculated left him with around £2,513 a month net. A credit search found existing debts totalling around £20,000 with monthly repayments of £485. No adverse credit, defaults or recent missed payments were found on Mr H's credit file.

NewDay completed an affordability assessment using Mr H's income, estimates for his housing costs and general living expenses and monthly repayments for his existing debts. NewDay says Mr H had a disposable income of around £1,293 a month after his existing outgoings were met and issued a credit card with a limit of £900.

Mr H used the John Lewis credit card and NewDay went on to increase the limit as follows:

Event	Date	Limit
App	Nov-22	£900
CLI1	Nov-23	£1,400
CLI2	Mar-24	£2,400
CLI3	Jul-24	£3,400

Mr H applied for a Debenhams credit card with NewDay in September 2024. In this application, Mr H gave his income as £37,000 and NewDay used a net monthly figure of £2,513. A credit search was completed that found Mr H had existing unsecured debts totalling around £36,000 with monthly repayments of £1,448. No new adverse credit was found on Mr H's credit file.

An affordability assessment completed on the same basis as the previous application was completed that said Mr H had a disposable income of £320 a month. NewDay approved Mr H's application and issued a Debenhams credit card with a limit of £900.

More recently, Mr H complained that NewDay lent irresponsibly in relation to both accounts. Mr H said his income was substantially lower than the figures used by NewDay in its applications and that it should've taken his recently upheld complaint into account when deciding whether to lend. NewDay issued a final response and said it had carried out the relevant lending checks before approving both applications and increasing the limit on the John Lewis account. NewDay didn't agree it lent irresponsibly and didn't uphold Mr H's complaint.

An investigator at this service looked at Mr H's complaint. The investigator thought NewDay had completed proportionate checks before approving the John Lewis applications as well as CLI1 and CLI2. The investigator thought NewDay should've completed better checks before approving CLI3 for the John Lewis account and the Debenhams application and looked at Mr H's bank statements for the preceding months. The investigator thought Mr H's bank statements showed he was able to sustainably afford repayments to the increased John Lewis credit limit and new Debenhams credit card and wasn't persuaded NewDay lent irresponsibly.

Mr H asked to appeal and said he was earning £1,567 a month, not £2,513. Mr H added that his credit file should've shown he already had an unsustainable level of debt and was transferring funds between accounts to keep essential bills from being declined. Mr H added that NewDay had just agreed a £20 interest free payment arrangement in relation to the Aqua credit card before approving the John Lewis application so should've known new credit was unlikely to be affordable. As Mr H 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 H 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 NewDay obtained when considering Mr H's John Lewis application above. On paper, the new credit card appeared affordable. NewDay says it verified the income figure Mr H provided in his application and checked his credit file finding outstanding balances totalling £20,000. But I think Mr H makes a reasonable point when he says that NewDay had just settled an upheld irresponsible lending complaint around the time his John Lewis application was made. In my view, given Mr H had just received a final

decision from this service confirming his Aqua credit card wasn't reasonably approved, I haven't been persuaded the standard approach it took to Mr H's application for a John Lewis credit card was reasonable. In my view, proportionate checks would've included getting a much clearer picture of Mr H's circumstances. One option would've been to review Mr H's bank statements to get a clear picture of his income and outgoings. That's the approach I've taken.

Mr H's bank statements show he had an average income of £1,442 a month in the three months before his John Lewis application. Mr H's regular outgoings for items like his mortgage, unsecured debts, communications, transport, insurances and supermarket shopping came to an average of around £2,250 a month in the same period. I can see Mr H was using a credit facility provided by his bank account provider to flex various payments for day to day living expenses. Taking all the available information into account, Mr H's bank statements show his income was higher than his outgoings in the months before his application for a John Lewis credit card was made. I think more detailed lending checks by NewDay would've found Mr H wasn't able to sustainably afford a new credit card and led it to decline his application.

As I haven't been persuaded NewDay fairly approved Mr H's John Lewis credit card application I'm upholding this part of his complaint.

I've gone on to look at Mr H's application for the Debenhams credit card in September 2024. I can see Mr H gave his annual income as £37,000 in the application and his unsecured debts were found to be around £35,643 at the time. NewDay found Mr H was making monthly repayments of £1,448 to his existing creditors. Given Mr H's existing unsecured debt levels, I think it would've been proportionate for NewDay to have completed lending checks to establish a more detailed picture of Mr H's income and outgoings. I've again looked at Mr H's bank statements for the preceding months.

I found Mr H had an average income of £1,567 a month. Mr H's outgoings, in line with the approach I've taken above, came to an average of £1,557 a month. Mr H's bank statements show his regular income was already being used up by his regular outgoings. I haven't been persuaded Mr H's bank statements show he had sufficient flexibility to sustainably afford a new credit card with a limit of £900. As a result, I intend to uphold Mr H's complaint about his Debenhams credit card and direct NewDay to refund all interest, fees and charges applied 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 H 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 comments or information they wanted me to consider before I made my final decision. Mr H confirmed he was willing to accept. We didn't receive a response from NewDay.

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 Mr H has confirmed he's willing to accept and no response with new information has been received from NewDay I see no reason to change the conclusions I reached in the provisional decision. I still think Mr H's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr H's complaint and direct NewDay Ltd to settle as follows for both the John Lewis and Debenhams credit cards:

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

If NewDay has sold either debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mr H a certificate showing how much tax has been taken off if he/she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

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

Marco Manente
Ombudsman