

complaint

Miss M complains about irresponsible lending by NewDay Ltd. She feels it should have refused her application for a credit card. And not raised the limit on the card without her asking. She wants charges and interest repaid.

background

Miss M tells us that she first obtained a credit card from New Day some years ago. She says at the time her credit limit was branded as “delinquent” and that she had numerous defaults recorded. She says she also had multiple payday lenders at the time. She feels that NewDay should not have given her a credit card at the outset. But she then says that New Day increased her credit limit “dramatically” to £1,000 – which she also feels should not have happened – particularly as she was usually only making minimum payments. And on occasions missed payments altogether.

When NewDay sent its final response letter it said that it had given Miss M 40 days’ notice of the intention to increase her credit limit. The letter had said Miss M could refuse that by letting NewDay know she did not wish for this to happen. As she did not contact it the limit was increased. NewDay said as a responsible lender it regularly reviews accounts and does checks with credit reference agencies to ensure that any lending is appropriate. It offered the services of its account management team to help if Miss M was experiencing difficulties in repaying.

Our investigator who looked into this matter did not recommend that this complaint should be upheld. He said at the time Miss M took out the credit card NewDay would have based its decision on the information she supplied and that obtained from credit reference agencies. At the time he said Miss M was on a salary of over £13,000 per year and so a credit limit of £250 did not appear irresponsible.

He said he was satisfied that NewDay had carried out appropriate checks before they increased her limit. And that the nature of its services were such that it lent to people who wouldn’t usually get credit – or who might have had defaults in the past. He noted that prior to the increase Miss M had met her monthly payments and her spending had been low – so he didn’t think anything in Miss M’s conduct (of the account) would have caused NewDay concern. He pointed out that she’d had the opportunity to opt out of the increase and hadn’t done so. And that it’s the account holders’ responsibility to manage spending on their account to ensure they are able to repay a debt. So he concluded that NewDay had not acted unfairly.

After our investigator had given his view Miss M gave further details of her difficulties saying she had to borrow money most months – that is making a credit card repayment but then borrowing more to pay for food. She points to several cash withdrawals on the card – and the fact that she was making only the minimum monthly payment meant the debt could not be repaid in a reasonable time. She feels if proper checks had been carried out they would have revealed payday loans and other credit card debts and defaults.

When the adjudicator said that whilst he’d taken account of what Miss M had said – but it hadn’t changed his view – she asked that an ombudsman make the final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I accept that Miss M has encountered some financial difficulties over the past few years. And I understand that these can be the cause of considerable distress and have a serious effect on day to day life. But I can also see that she's made efforts to overcome these problems

I asked NewDay to provide me with certain information – in particular why shortly after the account was opened a proposed increase in credit limit was not implemented. But within a few months a much greater increase was permitted. All without Miss M requesting this.

It's unfortunate that NewDay is unable to provide an explanation for this as it says the notes have not been kept. So I shall have to make a decision on the information that I do have.

Whilst I understand Miss M's concerns that she was given what she now says was an "irresponsible" increase in her credit limit – that argument is a bit like a coin with two sides. One side being that whilst the credit is there – there's no obligation on Miss M to use it.

And as our investigator has found there is evidence that NewDay carried out checks which were appropriate for the amount of credit offered. And given she was employed when the account was first opened the loan to salary ratio was not obviously irresponsible. And it also gave Miss M 40 days to decline any increase – which she did not.

I've also had a very careful look at Miss M's overall account use – particularly in the light of her saying she was forced into borrowing more to pay for food – after she'd made a repayment. But I can't say that I found any obvious pattern. Indeed the overall impression was that the account was being operated, if not perfectly, certainly within normal bounds and by someone who was aware of their commitments. I think this is reinforced by Miss M obtaining a loan elsewhere at a more favourable rate in order to pay off her balance – which strikes me she knows what she's doing.

So I'm in agreement with our investigator and for much the same reasons. And whilst I know it will disappoint Miss M I'm not going to uphold this complaint.

my final decision

For the reasons given above I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service I'm required to ask Miss M to accept or reject my decision by 24 July 2017.

Stephen D Ross
ombudsman