

complaint

Mr P complains that NewDay Ltd kept increasing his credit card limit even though he couldn't afford to make the repayments.

background

Mr P tells us that NewDay Ltd increased his credit limit several times. In July 2014 it increased it to £1,000 and he thought that was affordable. But in January 2015 it increased his limit to £1,750, in July 2015 it increased it again to £2,500, in July 2016 it increased it to £3,500 and in March 2017 it increased it to £4,500. He said the payments became unaffordable because he also had pay day loans and other credit cards. NewDay eventually defaulted his account. He thinks this was irresponsible lending and he wants NewDay to refund the interest and amend his credit record.

NewDay said it undertook appropriate checks each time before writing to Mr P to tell him it was intending to increase the limit on his card account. The letters gave him the option to refuse the offer but he didn't do so. The last increase from £3,500 to £4,500 was at Mr P's request.

The adjudicator didn't think NewDay had done anything wrong. She didn't think NewDay would've had any concerns about his financial circumstances when it offered him the increases. And she could see that on occasions he had made more than the minimum payment.

Mr P said he wanted an ombudsman to look at his complaint again although he didn't have any further information for this Service to consider.

my findings

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

If a loan is unaffordable it means that the customer couldn't afford to make the repayments at the time he or she was given the credit. The affordability checks a lender should carry out should be proportionate to the size of the loan and the cost of repayment. NewDay has explained how it made the assessments. And we can't say that it should've done any particular check. But we can look at Mr P's account history to see if there was anything that should've concerned NewDay.

Mr P told us his concerns are about the increases after July 2014 so I've looked at his credit card statements from that date. I can see he went over the limit by small amounts on occasions up to October 2015 but each time he soon brought his account back under the limit. And he made all the required repayments up to August 2017 when he asked for a higher credit limit. So I don't think the history of his account would've given NewDay any undue concern.

From the information it had at the time of the increases NewDay thought they were affordable and so offered them to Mr P. I know Mr P won't agree with me but for the reasons I've already given, I think NewDay reasonably assessed Mr P's ability to make the required monthly repayments. So I can't say they weren't affordable. NewDay had a responsibility to make sure Mr P could afford these increases. But Mr P also had a responsibility not to accept the offers or to apply for the final increase if he thought he couldn't afford them.

I've considered whether it was irresponsible for the bank to have given Mr P the increases. Irresponsible lending is not just about whether Mr P could afford to repay the credit or not – it's whether there's another reason he shouldn't have had the credit. This will depend on his personal circumstances. And it could be irresponsible to lend money to someone who is in a debt spiral because they're borrowing money to repay other loans which they can't afford. But that's not the case here.

For those reasons I can't find NewDay did anything wrong when it increased Mr P's credit limit. So I won't be asking it to refund any interest or fees. NewDay has a responsibility to send accurate information to the credit reference agencies so I can't ask it to amend Mr P's credit record.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 May 2019.

Linda Freestone
ombudsman