

complaint

Mr A complains NewDay Ltd was irresponsible when it increased the credit limit on his Marbles credit card account.

background

Mr A applied for a credit card in April 2017 and declared an annual income of £40,000. His application was approved and he was granted a credit limit of £300.

At the time of his application Mr A had previously defaulted on four different accounts for relatively small amounts. He was also regularly using payday loans. NewDay appears to have been aware of at least three of the defaults.

Initially Mr A used his credit card a lot and made substantial repayments clearing his balance in full on occasion.

NewDay offered to increase the credit limit on the account in August and December 2017. The later increase took Mr A's credit limit to £1,950.

Following the second increase in December 2017, Mr A was only making the minimum repayments and was charged an over limit fee in February 2018.

In the same month the card was issued, Mr A took out another loan with a separate provider. And in-between the two credit limit increases he took out another loan and credit card.

Mr A was not using the overdraft facility on his only current account in April 2017. However, this changed once the account had been opened and the credit limit increases were applied.

The adjudicator didn't conclude it was irresponsible of NewDay to accept Mr A's application given his declared income and the low credit limit. But he thought the adverse information it identified in April 2017 should have been taken into account when making subsequent decisions to increase the credit limit - especially when both increases were offered within eight months of the account being opened. The adjudicator acknowledged that Mr A was issued with opt-out letters on each occasion his limit was increased but the adjudicator felt the increases were nevertheless unsuitable for someone in financial difficulty.

He recommended NewDay refund any interest and charges applied to the account from August 2017 onwards. These refunds should be used to reduce the balance that is currently outstanding on the account. He also recommended NewDay should freeze any interest and charges on the account going forward, providing an agreement is reached regarding repayment on the account.

NewDay disagrees. It says the increases were given in line with NewDay's responsible lending policy. Looking at the conduct of the account it had no concerns at the time the limits were increased. It also repeated that Mr A had the option to opt out of the increases if it was felt that the credit limit was in any way unmanageable.

my findings

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

The increase in Mr A's credit limit was significant. And under the Financial Conduct Authority rules applicable at the time of the increase the business was required to undertake an assessment of Mr A's creditworthiness. When undertaking this assessment NewDay had to take into account the information of which it was aware at the time. And I think this means – given the short period since Mr A's application - it should have taken into account the information it had learnt from Mr A's credit file when he applied to for the card in the first place. Given Mr A's past defaults I don't think it was responsible to increase his lending so significantly and so rapidly.

I therefore agree with the adjudicator's recommendations that it would be fair for NewDay to refund any interest and charges applied to the account from August 2017 onwards. These refunds should be used to reduce the balance that is currently outstanding on the account.

But I don't think it is right to follow the adjudicator's recommendation and for me to make an order which is conditional upon Mr A and NewDay reaching an agreement. The adjudicator has explained this to Mr A and Mr A has agreed that I won't make such an order today.

Mr A plans to pay off the account as soon as possible. But I want to remind NewDay that where customers are in financial difficulty it has a duty to treat them positively and sympathetically.

my final decision

My decision is that I uphold this complaint. I order NewDay Ltd to:

- refund any interest and charges applied to the account from August 2017; and
- apply the refunds referred to above to reduce the balance that is currently outstanding on the account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 January 2019.

Nicola Wood
ombudsman