

complaint

Mr S complains that NewDay Ltd ("NewDay") shouldn't have increased his credit limit or the interest rates on his credit card as the credit was unaffordable.

background

Mr S's credit limit, on the credit card supplied by NewDay, was adjusted as follows:

date changed	old limit	new limit
March 2015	£250	£450
October 2015	£450	£550
June 2016	£550	£1,250
February 2017	£1,250	£2,250
July 2017	£2,250	£3,350

He says NewDay were wrong to increase his credit limit as it was clear he'd only been paying the minimum each month; his credit file would have shown his overall debt was increasing and he'd been using doorstep lending. He also says they were wrong to increase the interest rates they charged on his account.

NewDay didn't agree they'd provided credit irresponsibly. They said they reviewed Mr S's account performance alongside information from credit bureaus and credit risk information and that were satisfied that the credit they advanced had been affordable in each case. They said that Mr S had always been given the opportunity to opt out of these increases but that he'd not done so. They said they had increased his interest rate in February 2018 but had written to him beforehand to advise him of the increase and had given him a chance to pay off his balance at the old rate before the change.

But Mr S wasn't satisfied with their response. So he referred his complaint to this service and our adjudicator took a look. He didn't think NewDay had done anything wrong. He thought the checks they'd completed before offering credit had been in suitable proportion to the amount of credit they'd supplied. He noted that the information NewDay had reviewed would have shown there were no late payment markers on Mr S's credit file. He also explained that their review of his account performance with them would have shown that payments weren't late there either and minimum payments had been made. He went on to consider the interest rate change that NewDay advised Mr S of but he was persuaded this had been in line with the terms of Mr S's account and they had given him a chance to opt out. So he didn't think they'd been unfair.

But Mr S disagreed. He said they should have noticed his other account with them was always at its limit too and explained that he'd not been given enough time to reduce his balance with them before they increased the interest they were charging. So he asked for a final decision by an ombudsman.

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 know it will disappoint Mr S but I agree with the adjudicator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before agreeing to provide additional credit a business should check that the credit is affordable. The type of checks which a business should carry out should be proportionate, so (for instance) a mortgage lender will ask for bank statements and payslips, but a catalogue offering a low credit limit doesn't have to go into so much detail.

In considering this complaint, I've looked at whether NewDay carried out proportionate checks, and at what information they had been given about Mr S's financial circumstances. The methods NewDay used to establish affordability were for them to decide but the practices and procedures they used had to be effective. And the depth of their analysis could be proportionate to the amount of money being requested.

NewDay provided five credit limit increases over a period of two and a half years. The increases were relatively modest so I wouldn't expect the level of checks NewDay completed to be excessive – they could be proportionate. I can see they reviewed information from the credit agencies and looked at the performance of Mr S's accounts with them. And I don't think there was anything in that information which would have given just concern that Mr S couldn't afford the credit it was providing. He had managed his accounts quite well and hadn't missed payments and his credit file wasn't showing missed payments or defaulted accounts either. So I think the lending was made responsibly.

The terms of Mr S's account explained that NewDay could increase interest if they provided the requisite notice and they did that when they contacted him in December 2017 and advised that rates would change at the beginning of February. They provided Mr S with the option to close his account and pay off the balance without incurring a financial penalty and I think this was fair.

So overall, I'm persuaded that NewDay didn't do anything wrong here and don't need to take any further action.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 May 2019.

Phil McMahon
ombudsman