

complaint

Mr H complains that NewDay Ltd lent irresponsibly when it gave him a credit card account.

background

Mr H said NewDay accepted his application for a credit card. But he couldn't afford it. He had a lot of debt and was using payday loans. His account was always at the limit and he was only paying off interest each month. Mr H thinks NewDay lent irresponsibly to him. And he wants a refund of the interest and charges applied to his account.

NewDay said it'd considered the information Mr H supplied with his application. It'd looked at the information held by the credit reference agencies. And it had provided Mr H with a card with an appropriate credit limit.

NewDay explained its account is aimed at customers who are new to credit or trying to rebuild their credit rating. So it wasn't unusual for its customers to have a poor credit history. And it was confident it'd lent responsibly when opening Mr H's account.

Mr H wasn't satisfied with NewDay's response. So he contacted our service and our investigator looked into the matter. He looked at Mr H's financial circumstances when he applied for the account. And he couldn't say NewDay had acted irresponsibly based on the information he'd seen. NewDay offers the account to customers who might've struggled in the past. And Mr H was within its lending criteria.

Mr H didn't agree. So he's asked for an ombudsman's final decision. He felt his payday loans should've suggested any further lending was irresponsible. And he's provided further information about his previous financial difficulties.

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'm sorry to hear of the difficulties Mr H has experienced. And I've looked very carefully at everything he's said to see if NewDay should've given him the credit card account.

Mr H opened his account in July 2016. He stated his income was £16400. And NewDay said there was no balance on payday loans at the time. Mr H had a total balance of £1500 on other credit cards. Although Mr H had got into difficulty in the past there'd been no defaults within the past 17 months. So NewDay offered him a credit limit of £250.

Mr H has provided further information about his previous financial difficulties. He'd had to borrow £100 or more each month from payday lenders. He'd had problems making repayments to previous loans, which led to defaults being applied. So he feels NewDay should've turned down his application.

I've looked at the additional information Mr H provided to our investigator. And there was a default registered on his credit file for £115 from about a year before he applied for the loan. The credit file suggests there were arrears in the previous year but previous defaults had been before 2015.

It's clear Mr H has experienced financial difficulty in the past. But I don't think NewDay was wrong to believe his more recent credit history supported offering a credit card account with a relatively small limit of £250.

It's not unusual for credit companies to offer increases in a customer's limit if it feels the account is being well-managed. But NewDay took note of Mr H's situation and the limit remained at £250.

Mr H feels NewDay should've carried out more extensive checks. And it should've noted his previous problems and not offered him the account. I do appreciate Mr H has experienced a great deal of stress due to his financial difficulties. But, as NewDay has explained, its credit card is intended for customers who've had problems in the past and want to rebuild their credit rating. That's why the credit limits are relatively low.

Based on what I've seen I think the checks it carried out, along with the information Mr H provided, were sufficient for the business to offer the account with what it considered an appropriate credit limit.

When NewDay wrote to Mr H I can see it included contact details in case he was finding it difficult to meet his repayments. But I can't see Mr H asked for help other than in October 2016 when he was struggling after bereavement. So I've not seen anything to suggest NewDay has treated Mr H unfairly or unsympathetically.

I realise Mr H will be disappointed with this outcome. But I've not seen enough evidence to suggest NewDay lent irresponsibly or didn't follow its procedures properly when it gave Mr H the credit card account.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 July 2019.

Andrew Mason
ombudsman