

complaint

Ms C complains that NewDay Ltd trading as Marbles should not have given her a credit card or increased the credit limit.

background

Ms C applied for and was granted a Marbles credit card in March 2016. The opening credit limit was £600. In June 2016, Marbles wrote to Ms C proposing to increase the credit limit to £1,400. This increase took effect from July 2016. In November 2016, Marbles wrote to Ms C again, proposing another increase to the credit limit from £1,400 to £1,700. This increase took effect from December 2016.

Ms C spent up to each credit limit almost straight away. On a couple of occasions, spending on the card took her over the credit limit. But she made payments the following month which brought the balance back within the agreed limits. She made regular, monthly payments on the card for the first year or so. But from May 2017, the spending on the card was consistently over the credit limit and there were some months when Ms C didn't manage to make a repayment. On those occasions, Marbles applied over-limit and late payment charges to the account.

When that happened, Marbles wrote to Ms C. The first time was in July 2017 and Ms C received letters explaining that charges had been applied each month until January 2018. In February 2018, she paid off the balance in full and it has remained at zero since then.

In June 2018, Ms C brought a complaint to this service saying that Marbles had been irresponsible in lending to her. She says she had no means of repaying the money under the terms of the agreement and that a credit check at the time she applied for the card would have highlighted other debts she had. She also says Marbles should have been aware of her level of income compared to the level of borrowing and shouldn't have increased the credit limit. She wants Marbles to refund all the interest and late payment charges she has paid. She also wants them to remove any default or late payment markers from her credit file.

Our adjudicator thought that Marbles had acted fairly and in line with their policy. He noted that the letters sent to Ms C advising of the credit limit increases gave her the option to decline them. As there were no defaults on Ms C's credit file at the time of the credit limit increases, he thought Marbles had acted fairly in assessing the credit as affordable.

And he didn't think there was evidence that Marbles should have done more to help Ms C because there wasn't anything on the file to suggest she had contacted them to let them know she was struggling with her finances. Although a payment arrangement was agreed in January 2018, Ms C cleared the entire balance the following month.

Ms C wasn't happy with the adjudicator's findings and asked for her complaint to be looked at by an ombudsman. She made the following points:

- She still has a high level of debt. She says she had to take out a long term secured loan to pay off the Marbles card to help reduce stress on her finances.
- She says she had a high level of borrowing on two other credit cards with NewDay Ltd and, if they had been acting responsibly, they shouldn't have given her this Marbles card.

- She had to take out a loan against her home to pay off the Marbles card and says that's not a fair position for her to be in.
- The fact that she was borrowing on other credit cards and had short term payday loans should have told Marbles that she wasn't managing her debt. They could have seen this from the credit report and shouldn't have increased the lending.

my findings

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

When Ms C applied for the credit card, Marbles needed to check whether she would be able to repay it in a way which was sustainable and which wouldn't adversely affect her financial situation. They needed to carry out checks which were proportionate to things like the amount of credit being applied for and the information Ms C provided about her financial situation. However, there is no set list of checks which Marbles had to do.

Marbles say that, when considering Ms C's application for the card, they took into account the information provided by her as well as information held by the credit reference agencies and their own internal risk strategies. They say their checks showed she was eligible for the account. Although she had supplied income information, Marbles didn't verify this as they say that's not required as part of their procedure. But I think the checks Marbles carried out were in proportion to the £600 credit limit Ms C was given when she opened the account.

Marbles say there was nothing in what they saw to suggest that the card wouldn't be affordable to Ms C. She did have other borrowing, including some payday loans. But that doesn't mean that Marbles should automatically have declined her application. It's for them as a business to decide who they lend to. What I'd expect is for them to carry out sufficient checks before they lend, and I'm satisfied they did that. They say they were aware Ms C had a number of payday loans. But they point out that some of those had been settled and none were in default or delinquency at the time Ms C applied for the card.

And, at the time Ms C applied for the Marbles card, there were no problems with the other NewDay Ltd credit cards which she C held. (This is also the case for each occasion when the Marbles credit limit was increased.) So I haven't seen anything which makes me think Marbles shouldn't have given her this credit card or that they were irresponsible in doing so.

As to the credit limit increases, there are best practice guidelines for this which I would expect Marbles to follow. The guidelines say that a business should give the customer at least 30 days written notice of a proposed increase. The letter should also state the current credit limit, the new increased credit limit and the customer's right to reject the increase with details of how to do that. The letter must also confirm that the business will not treat the customer any differently if they choose to reject the credit limit increase. I'm satisfied that the letters Marbles sent to Ms C complied with these guidelines.

The guidelines also say that a business should carry out appropriate checks on a customer's ability to repay, as well as their overall creditworthiness, before increasing a credit limit. The business should refer to information from credit reference agencies and also check at least one of the following: (i) the customer's income and financial commitments, (ii) how they have handled their finances in the past, and/or (iii) internal credit scoring techniques. The information I've seen confirms that Marbles followed the guidelines here.

Although Ms C had gone over her credit limit in May 2016 and Marbles had charged an over-limit fee, they say their policy allows customers to have a credit limit increase unless over-limit fees have been applied in each of the three months before the increase. That wasn't the case for Ms C. So they weren't going against their policy by increasing her credit limit.

I've also taken into account the fact that Ms C was given the chance to opt out of the credit limit increase on both occasions but didn't do so. She allowed the increases to take effect and spent the money they provided.

In a situation where a customer doesn't specifically tell the business they're in financial difficulty, I would still expect the business to realise this if there are other signs that the customer is struggling. Ms C has referred to the fact that she consistently made the minimum repayment on her account. She says that should have alerted Marbles to the fact she was struggling. But making the minimum payment doesn't necessarily indicate that someone is in financial difficulty. This can just be the way they are choosing to manage their finances. And many customers will have other debts too. But if these are being maintained as intended – as they were here – then this would suggest to a lender that they're able to repay what they've borrowed.

From July 2017, Marbles were regularly contacting Ms C about default charges. But that was long after the credit limits had taken effect. And Ms C was still managing to make some payments on the account. In February 2018, she cleared the balance in full. I understand from Ms C that she has done this by taking out a loan which is secured against her property. She says that's an unfair position for her to be in and I realise she feels strongly about this. But I haven't seen anything to suggest she told Marbles she was planning to do it.

If she had contacted Marbles about it, they would have had the opportunity to discuss it with her and perhaps suggest other options. But as they didn't have that opportunity, it wouldn't be fair to ask them to do something about it now. Especially as the account has now been repaid in full. I haven't seen anything which makes me think they should have acted differently earlier on either.

So, while I realise this will be disappointing to Ms C, I don't think Marbles have acted irresponsibly either in giving her the credit card in the first place or increasing the credit limit.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 12 April 2019.

Katy Kidd
ombudsman