

## **complaint**

Mr C complains that NewDay Ltd was irresponsible when it raised the credit limit on his credit card account.

## **background**

Mr C said that NewDay raised the credit limit on his card three times. He said that it should've been obvious from how he was managing the card at those times that he couldn't afford to pay this money back. Because he thought NewDay had lent him money when it should've known he couldn't pay it back, he thought it should refund all the interest and charges he'd paid on the card.

NewDay said that it checks how a credit card account is being managed before it offers to increase a credit limit. And it said that Mr C could've turned down the increases if he wanted to. It didn't think it had done anything wrong.

Our adjudicator upheld this complaint. He said that Mr C's credit limit was first raised in February 2014, and when that happened, our adjudicator couldn't see anything that should've alerted NewDay that Mr C wasn't going to be able to repay a higher limit. The second raise was in September 2014. Mr C's account wasn't being managed well in the months before this increase. He had gone over his credit limit, and been charged for that, in each of the four months before the limit was raised. Our adjudicator thought that NewDay should've realised that there was a real risk Mr C couldn't repay the money when it raised his credit limit in September 2014. So he thought that NewDay should refund all the interest and charges that have been applied to Mr C's card account since this rise in his credit limit. And he thought that NewDay should pay Mr C £100 in compensation, to say sorry for the trouble that this had caused him.

NewDay didn't agree. It said that Mr C was up to date with his payments and within his credit limits each time that the credit limit on his account was raised. NewDay said that Mr C didn't turn down these increases. It thought it was unreasonable for Mr C to accept the money, and later say that it shouldn't have offered it. NewDay wanted an ombudsman to consider this case, so it was passed to me for a final decision.

## **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've reached the same conclusion as our adjudicator, and for the same reasons.

Mr C's credit limit was first raised in February 2014. I can't see anything around that time that suggests to me that NewDay should've known then that he couldn't make the repayments. So I don't think that NewDay did anything wrong when it raised his credit limit at that time.

In April, May, June and July of 2014 Mr C exceeded the newly raised credit limit on his account, and NewDay charged him a fee for that. Mr C's limit was raised again in September 2014. Separately, Mr C's credit file also shows at least one recent default in the month before this second increase to his limit. I think this is clear evidence that Mr C was likely to struggle to repay this increased borrowing. So I agree with our adjudicator that when

NewDay increased Mr C's credit card borrowing limit in September 2014, it should've realised that it was loaning Mr C money he wouldn't be able to pay back.

NewDay says that it isn't fair for Mr C to have taken the money, and then say that the lending wasn't affordable for him. But the point of responsible lending is to support people in making good decisions about their money, even in very difficult circumstances. Mr C did appear to be in difficult financial circumstances at the time when NewDay increased his credit limit. So I don't think that NewDay acted responsibly when it did that. Because of that, I think it is appropriate in these circumstances to ask NewDay to stop charging interest or fees on this account, and to refund any interest and charges applied to Mr C's account, from the date when the credit limit increase offered to Mr C on 19 September 2014 was implemented.

I also agree with our adjudicator that NewDay should pay Mr C some compensation for the trouble that its mistake has caused him. I agree that £100 is an appropriate amount for NewDay to pay in this case. That's in line with what I would've awarded.

Mr C has agreed that NewDay can apply the refund and compensation payment in the first instance to pay off his debt.

### **my final decision**

My final decision is that NewDay Ltd should refund any interest and charges applied to his credit card account from the date when a credit card limit increase offered to Mr C in September 2014 was actioned. NewDay Ltd should also pay £100 in compensation.

NewDay should apply this refund and compensation payment in the first instance to clear Mr C's debt. If any money remains once that has been done, NewDay Ltd should pay it to Mr C. If any debt remains once that has been done, NewDay should continue its existing arrangement with Mr C for repayments at £26 per month, but it shouldn't charge any interest on the outstanding balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 December 2017.

Esther Absalom-Gough  
**ombudsman**