

complaint

Mrs V complains that NewDay Ltd acted irresponsibly in allowing her a credit card with an unaffordable limit.

background

In September 2015 Mrs V made an online credit card application to NewDay, which was approved with a limit of £900. Mrs V declared an annual household income of around £13,500. Mrs V complains that if NewDay had checked her credit file it would have known that the limit it set was unaffordable. She would like NewDay to refund all interest and charges on her account.

NewDay has said it followed its normal procedures in approving Mrs V's application including checking her credit reference file. At that time she had no defaults or county court judgments. It assessed affordability based on Mrs V's declared income, but didn't ask for evidence of that income.

Our investigator didn't uphold Mrs V's complaint. She thought that NewDay had acted in line with its terms and conditions, and made reasonable affordability and credit file checks.

Mrs V didn't agree, and asked for her complaint to be considered 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.

Before lending to a customer, we expect businesses to perform some checks to ensure that the money can be repaid. We, as a service, do not set which checks need to be carried out – that is for lenders to decide. But we do expect them to be able to show that they carried out reasonable and proportionate checks in the circumstances. Here, NewDay checked Mrs V's credit reference file, which didn't show anything to prevent it from approving her application.

For lending to be unaffordable it means that the customer couldn't afford to make the repayments at the time she applied for the lending – here, the credit card. Mrs V has said that NewDay set the limit at a level that was unaffordable for her, but hasn't produced any evidence to support that claim. NewDay has provided information about the way Mrs V managed her account during the year 2016/2017 and I can see that her spending was at about the limit – although rarely over – and that she incurred a number of late payment charges. But I'm afraid that isn't sufficient for me reasonably to conclude that when Mrs V applied for her card, a limit of £900 was unaffordable for her.

I have also considered whether it was irresponsible for NewDay to have set the limit it did. Irresponsible lending is not just about whether Mrs V could afford to repay the credit or not – it's whether there's another reason she shouldn't have had the credit. This would depend on her personal circumstances. It could be irresponsible to lend money to someone who is in a debt spiral because they are borrowing money to repay other loans. But as I've already said NewDay carried out all the checks we would expect and these showed Mrs V could afford to meet the monthly repayments. And from the statements I've seen Mrs V was using her card for normal day to day purchases rather than, for example, to pay down other debts.

Where customers are in financial difficulty lenders are responsible for responding positively and sympathetically. I haven't seen any evidence to suggest that Mrs V has approached NewDay about any financial difficulties she may have, but I would urge her to do so if she is having problems.

I know Mrs V will be disappointed with my decision, but for the reasons I've given I can't fairly find that NewDay has done anything wrong.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V to accept or reject my decision before 23 June 2018.

June Brown
ombudsman