

complaint

Mr M says it was irresponsible of NewDay Ltd to accept his application for a credit card, given his financial circumstances at the time.

background

Mr M applied for a credit card with NewDay in April 2016. NewDay accepted his application and set a credit limit of £450. In his complaint letter to NewDay, Mr M says it lent irresponsibly because his credit record showed missed payments on a loan and an increasing overdraft. He also says NewDay should have noticed his numerous loans – some of which, he says, were defaulted – and also gambling transactions and credit card bill payments.

To resolve the complaint, Mr M says he'd like NewDay to refund all interest and charges it added to the account and to remove any associated adverse information it added to his credit file.

In its response to Mr M's complaint, NewDay says the card Mr M applied for is designed to help customers to build or improve their credit file. It says it doesn't check to verify the income stated by the customer. But it also says it carried out necessary checks - it told us that included information held on Mr M's credit file. NewDay says it made no errors.

Our investigator didn't uphold Mr M's complaint. He thought NewDay acted in line with its terms and conditions, and made reasonable affordability and credit file checks.

Mr M didn't agree and asked for his 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. Having done so, I agree with our investigator. I'll explain why.

To reach my findings, I've looked at what NewDay would've known, had it conducted the checks it said it did. I've thought about whether it was reasonable for NewDay to lend to Mr M, based on those checks.

NewDay says it checked Mr M's credit file before agreeing his application, but it doesn't hold a copy of what it saw. So, I've looked at a recent report of Mr M's credit file. The report confirms that Mr M did, as he says, have numerous loans (13 in total) at the time of applying to NewDay. But the report doesn't show that Mr M was behind on any of the payments or that any had defaulted.

Some of the existing loans started in March or April 2016. So, as there's a delay between lenders submitting financial information to credit referencing agencies and it appearing on credit files, NewDay may not have seen all the loans. The credit report shows that payments for the lending Mr M held over a longer time were appropriately maintained.

NewDay wouldn't have seen how Mr M spent his money by checking his credit report, as it doesn't show this information. So NewDay wouldn't have known if he'd borrowed to pay for gambling or make payments on other borrowing.

Mr M's credit report does indicate that he started to experience financial difficulty soon after the loan was agreed. Mr M made the maximum cash withdrawals he could on the card soon after and missed several payments in the following months. NewDay added charges and interest to Mr M's outstanding balance, in line with its terms and conditions. And NewDay stopped adding interest and charges to the account from December 2016.

In summary, I don't think NewDay provided credit to Mr M irresponsibly, given the information it would have seen on his credit file at the time. And, given the amount of credit and that Mr M's credit file didn't indicate financial difficulty or a poor repayment history, I don't think NewDay needed to seek verification of income.

my final decision

My final decision is that I don't uphold Mr M's complaint and I don't require NewDay Ltd to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 March 2018.

Gavin Cook
ombudsman