

## **complaint**

Mrs D is unhappy because she says that NewDay Ltd has lent money to her irresponsibly.

## **background**

Mrs D took out a credit card in 2011. She was initially given a credit limit of £1000 but that's now increased to £6500. She says that she was living off her state pension and that NewDay shouldn't have given her that amount of credit. The account has now been closed and defaulted. NewDay did place the account on hold as Mrs D hadn't been well. NewDay said that they didn't think they had lent money irresponsibly and that they had carried out enough checks to make sure Mrs D could afford the card and the increases to her limit.

Our adjudicator looked into what had happened. She noted that the income Mrs D declared on her application was very low. And she didn't think that NewDay had done enough to ensure that she could afford the increases to her credit limit. She thought that there were signs which ought to have alerted NewDay to the fact that Mrs D was struggling to make ends meet, including the way she was using her account and information that would have been recorded on her credit file. She recommended that NewDay refunded all interest and charges applied including those that Mrs D paid on the balance over the credit limit from June 2013 onwards. She also recommended that NewDay removed the default on the account and all adverse information from that date.

NewDay asked an ombudsman to review the complaint. They said that they'd accurately recorded information on Mrs D's credit file and that the documents that they'd sent to Mrs D would have been sufficient in 2013. They also explained that they'd completed checks before increasing the limit.

## **my findings**

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

NewDay can't refuse to offer someone credit simply because someone is retired or they are in receipt of a pension. But, in summary, the relevant rules and industry guidance placed a responsibility on NewDay to carry out proportionate checks to ensure that Mrs D could afford to meet the repayments at the time that she entered into the agreement and that increases to her limit were affordable for her. I'm not satisfied that NewDay did enough to meet their responsibilities in the circumstances of this case. I say that because:

- When Mrs D took out the card in 2011 she said that her annual income was just over £2000. It's unclear where this figure came from as Mrs D was receiving a state pension of around £170 per week in addition to a monthly pension of around £200. So her actual income was more likely to have been around £11 000. Her initial limit was £1000 and it seems most likely that she could have afforded to make the repayments based on her income and outgoings at that time;
- Her limit increased from £1000 to £6500 between 2013 and 2016. So, according to the information NewDay had about Mrs D, her limit had increased to around three times the annual income recorded on her initial application. I also note that she had recently defaulted on other borrowing in 2013 which wasn't long before NewDay started increasing her limit. So I think that it would have been reasonable in the

circumstances of this case for NewDay to find out more about Mrs D's situation before increasing her limit;

- I've also taken into account what Mrs D's actual circumstances were at the times that the limit increased. The final limit of £6500 was about half her annual income and at the time that she closed the account her balance was around a third of her annual income. I can see from the information that I have about Mrs D's financial history that she'd defaulted on other accounts in 2013 and that there were signs she was frequently reliant on her overdraft to get by. She also used this card to make a lot of cash withdrawals. This is consistent with what Mrs D has told us about the impact this card had on her finances. So I'm satisfied that it's most likely the increases in the limits after 2013 weren't affordable for Mrs D;
- I appreciate that Mrs D was offered the increases and she did have the option to leave her limit as it was if she wanted to. But, because of the circumstances I've outlined above, I don't think that it automatically means that NewDay acted reasonably in the circumstances of this case. They had a responsibility to ensure that Mrs D could afford any additional lending. And, bearing in mind the information that they held about Mrs D's circumstances and income, I don't think they did enough to fulfil this responsibility;
- Mrs D's account was defaulted. I'm satisfied that Mrs D's credit limit shouldn't have increased so much in such a short period of time. And I think it's most likely this was a significant factor in her being unable to afford the repayments on her account. I think that if NewDay had done more checks it's unlikely they'd have increased her limit to the extent that they did. And I think it is unlikely Mrs D would've found herself in a position where she was being defaulted if the limit hadn't increased so much.

### **putting things right**

NewDay Ltd needs to put things right by:

- Refunding all interest and charges applied and that she's paid on the balance over the credit limit applied from June 2013 onwards;
- Removing the default on the account and all adverse information on Mrs D's credit file from June 2013 onwards.

### **my final decision**

I'm upholding Mrs D's complaint about NewDay Ltd and they need to put things right in the way I've outlined above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 23 September 2018.

Anna Wilshaw  
**ombudsman**