

complaint

Mr B complains that NewDay Ltd was irresponsible in approving his application for a credit card and that it has recorded a default marker on his credit file.

background

Mr B missed a number of payments on his credit card with NewDay. This led to a default marker being recorded on his credit file after his account fell into arrears and was passed over to a debt collection company. He said NewDay shouldn't have approved his credit card application because he'd already defaulted on other accounts. He felt it acted irresponsibly in giving him credit given this background of financial difficulty.

So he thought NewDay should refund all charges and interest that were applied to his account after he fell into financial difficulties. He also asked it to remove the default marker from his credit file. But NewDay didn't uphold his complaint and didn't think it needed to do anything more.

Mr B brought his complaint to us, where our adjudicator didn't uphold it. They said there wasn't any evidence NewDay had acted unfairly or unreasonably here. Mr B disagreed and asked for his complaint to be reviewed 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've reached the same overall conclusion as the adjudicator. I appreciate Mr B will be disappointed by this outcome. But I hope he can understand the reasons behind my decision.

The first part of Mr B's complaint is about NewDay's decision to approve his credit card application, which he says was irresponsible. So, I'll focus on that issue first.

Mr B said NewDay should've declined his application for credit because he'd already defaulted on other accounts – one of which had a high default balance. But based on what I've seen, I don't think it was wrong of NewDay to approve Mr B's application. Before agreeing to lend, it's required to assess the affordability of credit to ensure that a customer can afford to repay what they're borrowing. It's up to NewDay which checks it carries out but they need to be reasonable and proportionate to, for example, the amount being borrowed, the cost of repayment and a customer's lending history. We can't say a lender should've done any particular check and there isn't a set list of checks it needed to do.

Before approving Mr B's credit card application, NewDay fairly assessed his ability to repay the credit it decided to offer him. I say this because it says Mr B scored well on its internal scoring models and I've seen evidence that it carried out appropriate affordability checks, which Mr B passed. It also reviewed information held by credit reference agencies. While it didn't undertake an income search, I think this was reasonable because it was entitled to rely on the information Mr B had provided about his earnings in good faith.

Irresponsible lending isn't just about whether Mr B could afford to repay the credit or not. It's also about whether there's another reason he shouldn't have the credit. For example, it could be irresponsible to lend money to someone who's in a debt spiral. Here, I can see NewDay was aware of the high default balance on Mr B's other account, which was several

years old. But the account it gave him was for customers with a poor credit history as its purpose is to improve their credit profile. So here, NewDay considered what Mr B told it and made a decision to lend to him on that basis.

The credit limit offered to Mr B was for a relatively small amount and, while I've seen evidence that his credit profile was poor before making this application, he was still earning a reasonable salary. Had he made his monthly payments on time each month this would've improved his credit profile. So I don't think NewDay acted irresponsibly here and I don't think there was any reason why Mr B shouldn't have had his application approved.

Mr B says NewDay should refund the interest and charges that accrued on his account after he fell into financial difficulties. But, while I sympathise with Mr B, there's no evidence he told NewDay he was experiencing financial difficulties while it was applying interest and charges to his account. Nor do I think there were any reasons that NewDay could've been aware that he was experiencing difficulties just from how he conducted the account, based on what I've seen. That means I don't think it should've done anything differently here.

So, I'm satisfied NewDay didn't do anything wrong in applying interest and charges to his account and passing it over to a debt collection company. The interest and charges were correctly applied in line with the terms of the account. And NewDay only passed his account to a debt collection company once he stopped making the monthly payments he agreed to make. In view of this, it wouldn't be fair to ask it to refund anything here.

I'll turn now to the second part of Mr B's complaint, which is about the default information recorded with credit reference agencies.

It was Mr B's responsibility to pay the correct amount on time and in line with the agreement to prevent his account falling into arrears. When an account goes into arrears for a sustained period of time, as Mr B's did here, a business is entitled to issue a default. As Mr B's account remained in arrears for some time I think it was reasonable for NewDay to pass his account to a debt management company and issue a default. While I appreciate the default will affect Mr B's credit score for some time, I'm satisfied that it reported late payment information properly. So I can't say it acted unfairly and unreasonably in doing so and I can't ask it to remove it as it's a true reflection of what happened.

I understand Mr B's concern that this default marker will adversely affect his already poor credit profile further. But he can put a "notice of correction" on his credit file if he wishes so this can be taken into account with future lending applications. It's up to individual lenders how they consider this though.

So, for the reasons set out above, I don't think NewDay has done anything wrong here. It's acted fairly and reasonably and I won't be asking it to do anymore.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 January 2019..

Julie Robertson

ombudsman