

## **complaint**

Miss W complains NewDay Ltd increased her credit card limit. It led her into more debt.

## **background**

Miss W had a credit card issued by NewDay. In September 2015 NewDay increased her credit limit from £500 to £1000. Miss W said at the time she had a low credit score and high borrowings. And she'd already exceeded her limit 13 times in 24 months.

Miss W ignored the letter informing her of the option to reject the change. And her debt increased to the new limit. She thinks NewDay acted irresponsibly and didn't take her circumstances into account. So she wants her interest and late payment fees refunded.

NewDay said it'd written to Miss W in September 2015 to say it would be increasing the credit limit on her account. It would be updated automatically within 40 days. But if Miss W didn't want the increase she could get in touch. NewDay said it hadn't heard from Miss W. So the increase went through automatically.

NewDay said it regularly reviewed accounts and checked with credit agencies to make sure it was lending appropriately. Its card had a low limit. And it was aimed at people who needed help to restore their credit file. If the account was well-managed customers might be offered a credit increase or lower APR.

Our adjudicator looked into the matter. He asked NewDay what information it used when offering Miss W her increase. In September 2015, when Miss W was offered the increase, NewDay said it based its decision on how the customer was looking after their account. After that date it also considered the customer's credit file and affordability.

He confirmed Miss W had ignored the letter informing her about the option to reject the increase. But he felt NewDay was wrong to make the offer in the first place. He could see Miss W had exceeded her limit on ten occasions in the previous year. And she'd made a number of late payments. So she was clearly struggling with her account at the time.

He felt NewDay shouldn't have increased Miss W's limit. And it should refund the interest and charges it'd applied since the increase took effect on 5 November 2015. And NewDay should add an additional 8% interest. Miss W had missed payments on three occasions in 2016. He felt this was because of the increased minimum payments. So he said NewDay should remove those markers on her credit file.

NewDay didn't agree. Miss W had made payments to bring the account back in order. And that was viewed favourably by the business. It wouldn't have increased her limit if Miss W was over her current limit or in arrears. So it's asked for an ombudsman's 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.

Miss W was already struggling with the balance on her credit card. She'd gone over her credit limit repeatedly and made a number of late payments.

Although she missed some payment dates she tried to catch up each time. And Miss W was trying to pay more than the minimum amount each month. But she hadn't asked for an increase in her limit. And she threw away the letter from NewDay without realising it would be applied if she didn't reject it.

NewDay said it'd viewed her attempts to manage her finances favourably. It could see she put things right if she went over her limit or missed payments. So it had offered her an increased limit. She could reject the increase if she didn't want it.

I can see NewDay altered its procedures soon after increasing Miss W's limit. It began to look at affordability and the customer's credit rating. But when it increased Miss W's limit it didn't take into account her other credit card balances. And it never discussed affordability with Miss W before offering the increase. I realise Miss W didn't inform NewDay that she was experiencing financial difficulties. But when the limit increased it only added to Miss W's problems.

NewDay said the service Miss W had applied for was designed for people with low credit ratings or previous financial difficulties. The card had a low limit and aimed to help the user rebuild their credit rating. But the end result for Miss W has been increased debt, additional charges and more negative entries on her credit file. And that doesn't sound right.

Given her circumstances, I don't think NewDay has acted correctly towards Miss W. Our adjudicator suggested it should refund any interest and charges applied to the account from the date her limit increased - with 8% interest. And I think that's the right outcome.

NewDay should also remove the negative markers applied to Miss W's credit file for the missed payments in January, February and March 2016. The missed payments occurred immediately after her limit increased. It wouldn't be fair for her credit rating to be affected because of the unwanted higher limit and larger minimum payments.

### **my final decision**

My final decision is that NewDay Ltd should:

- Refund any interest and charges applied to Miss W's account from the date of increase (5 November 2015)
- Pay an additional 8% interest from that date until the date of settlement
- Remove any negative credit markers for the missed payments in January, February and March 2016 from Miss W's credit file

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 26 February 2018.

Andrew Mason  
**ombudsman**