

## complaint

Mrs P complains that NewDay Ltd shouldn't have approved a credit card for her as it was obvious she couldn't afford one.

## Background

Mrs P applied, and was approved, for a credit card in March 2011. But she says she had large debts elsewhere and shouldn't have been granted one.

NewDay said it had based its decision on the information Mrs P had provided about her income and expenses and they said they also checked with a credit reference agency and took into account the loans she had.

NewDay could no longer locate the information they'd used to assess Mrs P's credit worthiness so our investigator obtained a copy of her credit report. She noted that Mrs P's expenses were higher than her stated income and that she was in receipt of tax credits and child benefit at the time. She also observed that Mrs P was regularly overdrawn and that this situation was worsening at the time she applied for the card. She thought NewDay hadn't performed adequate checks and she it was reasonable to ask them to repay the interest they'd charged Mrs P since she'd had the card.

But NewDay disagreed. They found the income and expenditure information they said they'd mislaid and they reminded this service that as the Lending Code was a little different in 2011 they didn't have to provide evidence of affordability just income and expenditure. They asked for this review.

## my findings

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

I agree with the investigator's view and for similar reasons. I'll explain why.

NewDay are right to say that the requirements were a little different when Mrs P made her application but section 3 of the 2011 Lending Code, that applied then, said:

*"Before lending any money...subscribers should assess whether the customer will be able to pay in a sustainable manner. They should do this by considering information from CRA's (Credit Reference Agencies), including existing financial commitments where provided..."*

So I'd expect NewDay to have satisfied themselves that Mrs P could pay back any credit they provided in a sustainable manner.

NewDay said that their assessment of Mrs P's financial circumstances in 2012 suggested that she could afford the loan they were offering. They said they only had to review Mrs P's income and outgoings but I think if they'd done this properly they would have realised Mrs P could not afford the credit. As follows:

A) monthly Income      £567

B) *less outgoings*

loans	£282
living Expenses	£250
other from credit file	£159
mortgage	£213 (half of £426)
total outgoings	£904

C) deficit A-B (£337)

NewDay said that they missed the mortgage payment from their initial calculations and they also said that they didn't include some types of debt. I think it was important for them to identify the mortgage payment and as Mrs P hadn't told them about any rent it was a question they should reasonably have enquired about. But they didn't.

I've not been able to identify what the £159, which NewDay noted on Mrs P's credit file in 2012, was but even if we assume it was a payment NewDay wouldn't normally take into account (perhaps a catalogue payment), Mrs P's outgoings would still exceed her income.

I therefore think NewDay shouldn't have provided a credit card because Mrs P couldn't have been expected to repay any credit offered in a sustainable manner and I want them to put things right.

**my final decision**

For the reasons given above I am upholding this complaint and telling NewDay Ltd to refund all interest and charges that it has applied to Mrs P's credit card, along with 8% interest. It should also remove any adverse information it has reported to the credit reference agencies relating to Mrs P's credit card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 2 September 2017.

Phil McMahon  
**ombudsman**