

## **The complaint**

Mr B complains that NewDay Ltd trading as Fluid Credit Card irresponsibly allowed him to open a credit card account which was unaffordable and later increased the credit limit.

## **What happened**

Mr B says Fluid should not have allowed him to open a credit card account due to his financial position. He says he had a previous default registered on his credit file and was on a Debt Management Plan. Mr B says appropriate credit checks were not carried out and that he had Payday lending at the time. He also says the credit limit on the account was increased twice. Mr B would like interest refunded.

Fluid says the account was opened in June 2018 and that Mr B had income of £27,000. It says it approved a modest £600 credit limit which was increased in June 2019 to £1,850 and again in September 2019 to £2,600. Fluid accepts the last increase should not have been approved and has refunded interest. It says appropriate checks were carried out and that the previous default was some four years before the account was opened by it.

Mr B brought the complaint to us and our investigator upheld the complaint in part. The investigator thought appropriate checks were carried out when the account was opened. But that appropriate checks were not carried out on the first credit limit increase which would have revealed signs of unaffordability. The investigator thought there was evidence of cash withdrawals and limited repayments being made. The investigator recommended interest be refunded and Mr B's credit file also amended from the first increase date.

Mr B accepts that view.

Fluid doesn't accept that view and says there wasn't any signs of financial stress.

## **What I've decided – and why**

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 have come to the overall view that I uphold this complaint in part for the reasons I will explain.

Lenders and credit providers should carry out reasonable and proportionate checks on any lending or credit application. Those checks will of course vary depending on the type and amount of any such lending. This was an application for a credit facility rather than for example a loan or mortgage and so I wouldn't have expected Fluid's checks to have been as detailed compared to that type of lending. But of course, checks must still be carried out.

There is no longer any real complaint by Mr B about the original account opening and I can see that he accepts the investigator's view about that. I will not in those circumstances comment further but to say that I also agree appropriate checks were carried out and a modest credit limit of £600 approved. But I also think that Fluid ought to have been aware

that Mr B did have signs of past financial difficulties on his credit file which ought to have been considered throughout the account opening and at the point of credit limit increases.

The credit limit on Mr B's account was increased in June 2019 from £600 to £1,850 which is an increase of over three times the original limit. I can also see that Mr B himself asked for a credit limit increase some six months before that date which Fluid declined. So, I think Fluid ought to have carefully considered this increase and considered that Mr B had made that earlier request. I can see that Mr B before the June 2019 increase had made cash withdrawals and, whilst making payments regularly these were relatively small. I can also see that Mr B had used a significant amount of the available credit limit. I'm satisfied that there were additional clear warning signs available for Fluid, as on the face of it Mr B had a relatively significant income but was using Payday lending and using other credit card accounts.

I have not seen any evidence that Fluid spoke to Mr B before offering the credit limit increase or questioned him about his finances. I also can't see that Fluid considered Mr B's other credit card accounts usage. So, I'm satisfied that Fluid didn't carry out reasonable and proportionate checks on the June 2019 credit limit increase. I'm also satisfied that if it had asked Mr B to see, for example, his bank account statements the reason for Mr B's financial difficulties would have been clear and obvious. And I think it highly unlikely Fluid would have approved the increase in those circumstances.

I can see that Fluid has fairly accepted that the second credit limit increase was unaffordable but I have made clear that the same checks that would have shown that at the time also would have shown that the first credit limit increase was also unaffordable.

### **Putting things right**

Fluid should refund interest and charges from the June 2019 credit limit increase and deduct that amount from the balance owed by Mr B. I think it unlikely any balance will be due to Mr B but if there is then Fluid should pay 8% simple interest on that award per annum until settlement. Mr B's credit file should be updated to reflect this decision. I can see that a repayment plan has been set up which should be amended if necessary, to an interest free plan to take account of this decision.

### **My final decision**

My final decision is that I uphold this complaint in part and order NewDay Ltd trading as Fluid Credit Card to refund interest and charges on Mr B's account applied over the credit limit of £600 from June 2019 and arrange a suitable repayment plan. I also order it to remove any adverse information registered on Mr B's credit file caused by the credit limit increases. And I order that 8% simple interest be added to any refund due to Mr B if applicable. If taxation is deducted from that award, then Mr B should be provided with an appropriate certificate of taxation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 May 2022.

David Singh  
**Ombudsman**