

The complaint

Mr M is unhappy that NewDay Ltd, trading as Fluid, approved him for a credit account which he feels was unaffordable for him at that time. Mr M is also unhappy that NewDay later increased the credit limit on the account, which he also feels was unaffordable for him, and with the service that he received from NewDay following a request he made to them for financial assistance.

What happened

Mr M applied for a NewDay administered credit account in September 2018. Mr M's application was accepted, and NewDay issued Mr M with a credit card with an initial credit limit of £300.

In April 2019, NewDay increased the credit limit on Mr M's account to £1,050. A further credit limit increase, this time to £1,800, was implemented by NewDay on Mr M's account in September 2019.

In 2020, Mr M asked NewDay for financial assistance with his account. NewDay asked Mr M to contact them by telephone to discuss his request, but Mr M advised NewDay that he only wanted to correspond with them in writing. This ultimately meant that NewDay didn't implement the financial assistance that Mr M had asked for because they hadn't been able to discuss the matter with him, and Mr M's account subsequently fell into arrears and was eventually sold by NewDay to a third part debt purchasing company.

Mr M wasn't happy about this, and he didn't feel that the initial provision of credit or the later credit limit increases had been affordable for him at those times. So, he raised a complaint.

NewDay looked at Mr M's complaint. They noted that they had undertaken checks into Mr M's financial position before approving his credit application and before increasing the credit limit available to Mr M on his account. NewDay also felt that it was reasonable for them to have asked to speak with Mr M about his request for financial assistance, despite Mr M's stated preference for written correspondence, and so they didn't uphold Mr M's complaint.

Mr M wasn't satisfied with NewDay's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that, while it appeared that Mr M could afford the initial provision of credit, they felt that Mr M's financial position at the time of the credit limit increases was such that NewDay should have concluded that those credit limit increases might not be affordable for him and shouldn't be offered. Our investigator therefore recommended that this complaint be upheld in Mr M's favour on that basis.

NewDay didn't agree with the recommendation put forwards by our investigator, so the matter was escalated to an ombudsman for a final decision.

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.

I issued a provisional decision on this complaint on 11 February 2022 as follows:

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

Regarding Mr M's initial application for credit in 2018, I feel that NewDay did that here. And I say this because when Mr M applied for the account at that time, he confirmed to NewDay that he had an annual income of £35,000 and didn't have a high amount of existing debt.

NewDay also obtained information from a credit reference agency to better understand Mr M's wider financial position, and which included that Mr M didn't have any existing credit accounts that were in arrears or any active payday loans. And, while this information did include that Mr M had defaulted on credit accounts previously, the most recent of these defaults had taken place over three years before the time of the application, and I don't feel that the presence of these older defaults should have given NewDay any reasonable cause to not offer a credit account to Mr M with the relatively low initial credit limit of £300.

NewDay have also been able to demonstrate that they undertook reviews of how Mr M had managed his NewDay account, as well as refreshed their understanding of his wider financial position, to ensure that Mr M would in all likelihood be able to afford the credit limit increases that they offered to him in April and September 2019.

It's notable from the statements of Mr M's NewDay credit account for the months leading up to the first credit limit increase in April 2019, that Mr M was maintaining the balance of the account below the agreed credit limit and didn't incur any over limit fees at that time. And, while Mr M did incur a late payment fee in April 2019, he was able to quickly make a payment above and beyond the minimum payment required on the account so as to ensure that the balance of the account continued to remain below the agreed credit limit.

Mr M has stated that he feels that the fact that he was maintaining the balance of the account close to the credit limit and was only making close to the minimum payments required on the account should have demonstrated to NewDay that he was struggling to manage the account such that they shouldn't have offered and further credit to him.

I'm not convinced by Mr M's position here, and I wouldn't expect NewDay to arrive at such a conclusion from account management such as Mr M describes. This is because I feel that an account holder making full use of a credit facility, as Mr M did here, can be an account management choice which I feel it's reasonable for a credit account holder to make. As such, I wouldn't consider that a customer maintaining their account close to, but within, the credit limit of an account constitutes a necessary indicator of potential financial difficulty.

Furthermore, when NewDay obtained updated information about Mr M from a credit reference agency before offering the credit limit increase to him, there was nothing in that updated information – which continued to include that Mr M wasn't in arrears on

any of his other existing credit accounts, didn't have any active payday loans, and didn't have a high amount of existing credit in consideration of his previously declared annual income – which I feel should reasonably have given NewDay cause to not offer the credit limit increase to Mr M that they did. And I don't feel that the higher amount of credit provided to Mr M here, which increased from £300 to £1,050, was excessive given Mr M's previously declared annual income.

I also find it difficult not to arrive at a similar conclusion regarding the second credit limit increase in September 2019, when the credit limit was increased from £1,050 to £1,800. And again this is because I don't feel that the account statements or the information that NewDay obtained from a credit reference agency prior to offering that second credit limit increase should have given NewDay any cause to suspect the Mr M might not be able to afford the higher amount of credit being offered to him at that time.

And, while I acknowledge that the credit limit on Mr M's account had increased significantly when considered as a percentage of the originally provided credit amount – from £300 to £1,800 – I don't feel that the provision of £1,800 credit to Mr M, given his previously declared annual income, his management of his NewDay credit account to that time, and the picture of Mr M's wider financial position that NewDay were able to obtain from Mr M's credit file information, was an excessive amount of credit for NewDay to offer and provide.

Mr M has also complained that, when a three-month payment holiday he had requested during the Covid-19 pandemic in 2020 was coming to an end, NewDay didn't implement his request for further financial assistance – which included a request from Mr M to not charge interest on his account at that time. And Mr M is also unhappy that NewDay continued to insist on speaking with him before agreeing to any further financial assistance, when Mr M wished to only correspond with NewDay in writing.

However, it's notable that the three-month holiday that Mr M was initially granted by NewDay was a specific type of payment holiday mandated by the Financial Conduct Authority (FCA) at that time. And this type of payment holiday included the stipulation from the FCA that interest would continue to accrue on an account while the payment holiday was in place. It's also evident that this was explained clearly by NewDay to Mr M in the letter sent to Mr M dated 16 April 2020, which confirmed that the payment holiday would run until 15 July 2020 and that interest would continue to accrue on the account during the payment holiday period.

It's also notable that this letter recommended that Mr M continue to monitor the balance of his account and ensure that the balance of the account remained within the credit limit. Mr M has complained that it was the continuing accrual of interest on his account during this payment holiday that resulted in his account exceeding the credit limit, and that when the payment holiday ended in July 2020 with the balance of his account above the credit limit, NewDay applied charges to his account because of this.

But I'm satisfied that NewDay continuing to apply interest to Mr M's account during that payment holiday period was in line with the requirements of that payment holiday as laid out by the FCA, and I'm also satisfied that NewDay gave Mr M fair notice of his responsibility to ensure that the balance of his account remained within the agreed credit limit, despite his not being obliged to make any payment during the payment holiday period.

Finally, given the complex nature of the FCA's requirements on businesses in regard to the financial assistance they should offer to customer's during that time, I don't feel that it was unreasonable for NewDay to be unwilling to agree to Mr M's written financial assistance requests without first speaking with him – which NewDay have been able to confirm they requested of Mr M on several occasions. And this is especially the case given that one of Mr M's requests be that NewDay remove the interest charged during the FCA prescribed payment holiday, which as previously mentioned, was a payment holiday which included the provision from the FCA that interest continue to be charged.

All of which means that I find it difficult to conclude that NewDay have acted unfairly or unreasonably here, either in regard to the amount of credit that they provided to Mr M or in regard to how they managed Mr M's requests for financial assistance in 2020. And it follows from this that my provisional decision here will be that I won't be upholding this complaint.

In my provisional decision letter, I gave both Mr M and NewDay the opportunity to provide any comments or new information they might wish me to consider before I moved to a final decision.

NewDay didn't provide any further submissions. And while Mr M did voice his general disagreement with my provisional decision, he didn't provide any explanation as to what specific aspects of my provisional decision he didn't agree with or any new information for me to consider at this time.

While I appreciate that this won't be the outcome Mr M wanted, given the above I see no reason not to issue a final decision in line with my provisional decision, and I can therefore confirm that my final decision is that I am not upholding this complaint accordingly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 April 2022.

Paul Cooper
Ombudsman