

The complaint

Mrs O complains that NewDay Ltd trading as Fluid Mastercard lent irresponsibly when it approved her credit card application and went on to increase the credit limit.

What happened

Mrs O applied for a Fluid credit card in March 2020. Mrs O's application said she was employed with an income of £16,000. Fluid carried out a credit search and found Mrs S owed around £4,700 in other unsecured borrowing. Mrs O said she was a homeowner but didn't give any details of a mortgage. Fluid says it found no adverse information, recent arrears or defaults on Mrs O's credit card.

The credit card application was approved with an initial credit limit of £1,200. In July 2020 Fluid increased the credit limit to £1,950.

Last year, Mrs O complained that Fluid had lent irresponsibly when it approved her credit card application and later increased the credit limit. Fluid sent Mrs O a final response but didn't uphold her complaint. An investigator at this service looked at Mrs O's complaint and upheld it. They thought Fluid should've carried out better checks before increasing Mrs O's credit limit to £1,950.

Fluid didn't agree with the investigator's view and asked to appeal so Mrs O's complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Fluid had to complete reasonable and proportionate checks to ensure Mrs O could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

Fluid collected various pieces of information about Mrs O during the application process. Mrs O said she was a homeowner, employed and earned £16,000. Mrs O also said there was other household income and Fluid looked at her credit file. Fluid has shared the results of its

credit search and I can see if found around £4,700 in unsecured credit. The application was approved with a credit limit of £1,200 in March 2020.

In my view, the checks Fluid completed before approving the credit card application were reasonable and proportionate. I haven't been persuaded that Fluid lent irresponsibly when it approved the credit limit of £1,200.

The credit limit was increased to £1,950 four months after the credit card was opened. During that time, Mrs O's unsecured credit had increased from £4,700 to around £5,400. Mrs O exceeded the credit limit in May 2020, incurring a fee. And Mrs O used her credit card every month to withdraw cash, taking out £240 during April 2020 alone. Whilst the credit card's terms allow Mrs O to withdraw cash, I think using that facility every month for the first four months of the credit card indicated Mrs O was struggling financially and had become reliant on credit. Taken together, the above factors should've caused Fluid to carry out more comprehensive checks before deciding to increase Mrs O's credit limit.

Had Fluid carried out better checks, I think it would've found Mrs O was unable to sustainably repay further debt and declined to proceed. In my view, Fluid lent irresponsibly when it increased Mrs O's credit limit to £1,950. As I think Fluid lent irresponsibly, I'm going to uphold Mrs O's complaint and direct it to refund all interest, fees and charges applied to balances over £1,200 from the date of the credit limit increase onwards.

My final decision

My decision is that I uphold Mrs O's complaint and direct NewDay trading as Fluid Mastercard to settle as follows:

- rework the account to ensure that from July 2020 interest is only charged on the first £1,200 outstanding - to reflect the fact that no further credit limit increases should have been provided
- if an outstanding balance remains once these adjustments have been made Fluid should contact Mrs O to arrange a suitable repayment plan for this
- if no outstanding balance remains, any adverse information should be removed from the credit file

AND

- if the refund brings means there's no remaining balance, any extra should be treated as overpayments and returned to Mrs O

AND

- pay interest of 8% simple a year on any overpayments from the date they were made (if they were) to the date of settlement†

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 26 July 2022.

Marco Manente
Ombudsman