

## The complaint

Mrs B complains that NewDay Ltd trading as Fluid irresponsibly provided her with, and increased the limit on, a credit card that she couldn't afford the repayments on.

## What happened

NewDay provided Mrs B with a credit card and increased the limit as follows:

	Date	Limit
Account opening	31/7/2019	£900
First increase	23/2/2020	£2,150
Second increase	23/8/2020	£3,400

Mrs B says that at the time of applying for the card she was a single parent with an income supplemented by tax credits. She got into increasing difficulties making the payments and had to borrow more. The credit limit was increased twice without her asking for it.

Mrs B complained to NewDay who had passed the debt on to a debt collector and complained further about receiving intimidating letters and calls. Mrs B complained about another credit card under a different brand name, also provided by NewDay at the same time. That is the subject of a separate complaint, although the payments due under that card were part of Mrs B's overall credit commitments, and thus part of the affordability assessment for this card.

NewDay said that it was satisfied that it had performed adequate checks before issuing the card and increasing the credit limit. It said that the card was issued and the credit limit increased appropriately.

On referral to the Financial Ombudsman our investigator said that although the card itself was issued appropriately, NewDay shouldn't have increased the credit limit on either occasion. She didn't think it had carried out enough checks before increasing Mrs B's limit substantially- and that increasing her access to credit was likely to increase her overall indebtedness.

NewDay hasn't responded, so the matter has been passed to me for further consideration.

## 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.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this

complaint are:

- Did NewDay complete reasonable and proportionate checks to satisfy itself that Mrs B would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Mrs B would have been able to do so?
- Bearing in mind the circumstances at the time of each application, was there a point where NewDay ought reasonably to have realised it was increasing Mrs B's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?

#### *application*

At the time of the application Mrs B said she had an annual income of £28,000 (about £1800 net a month). She had £2,100.00 of unsecured debt and a mortgage (with an outstanding balance of £148,000.00). Mrs B had a total of eight accounts and, in terms of adverse credit file data, one historic County Court Judgment (CCJ) and six historic defaults. However there were no other adverse indicators. NewDay performed a credit check and verified Mrs B's income and assessed her living expenses.

I think the checks performed, given the level of credit, were appropriate and that the necessary payments would have been affordable. I think NewDay made a fair lending decision in respect of the issuing of the card.

#### *first increase*

This was provided by NewDay without an application from Mrs B, and only seven months after the card was issued. The increase was from £900 to £2,150, more than doubling the limit. At the same time it had also increased the limit on Mrs B's other credit card with it. She had reached the previous limit, and gone over that limit twice, in the months leading up to the increase in limit. Her level of outstanding debt had also increased to £12,200. Her borrowing other than on credit/store cards had risen from £424.00 to £9,310 in October 2019, which appeared to show a new loan had been taken out around this point. In addition, the number of active accounts had increased from eight in July 2019 to eleven around seven months later.

Since Mrs B's income hadn't gone (I'm not sure if NewDay checked this) I don't think I need to carry out any further assessment to find that clearly this amount of extra credit would have been unsustainable. She had reached the limit on her card and had gone over it twice and had vastly increased her level of indebtedness. I don't think NewDay acted fairly in increasing the limit.

#### *second increase*

Mrs B's credit limit was increased by £1,250 to £3,400 again at NewDay's instigation, just six months after the first increase. A similar increase was applied to her other card. Mrs B had taken out four new credit accounts between the two limit increases, and her total credit commitments had reached £14,000. At this point, she was using 96% of her existing credit limits. Whilst she hadn't exceeded the limit, she had only been making minimum payments. Again I think these were clear indicators that she would be unable to afford any further increase in her limit. I appreciate she could have refused the increase but that's not an easy thing to do when she was at that level of indebtedness. There was no indication that her income had increased. And again I don't think NewDay made a fair lending decision.

## *communication*

Mrs B feels that the communication with her had been intimidating amounting to harassment. There are just details of just the one successful call made to Mrs B - I haven't seen evidence that it was intimidating. I've considered the correspondence in July and August 2021. These were just letters advising firstly that her account was in default and warning what would happen if she didn't make payment of the arrears on the account. As this wasn't paid this was followed by a letter advising that the full balance of the account was due. Whilst I understand that Mrs B was upset by these I don't think they were unduly threatening or intimidating. So I won't require NewDay to take any action in that respect.

## **Putting things right**

As I don't think NewDay should have increased Mrs B's credit limit above £900, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mrs B has had the benefit of all the money she spent on the account so I think she should pay this back. Therefore, NewDay should take the following actions:

- Rework the account removing all interest and charges that have been applied to balances above £900.
- If the rework results in a credit balance, this should be refunded to Mrs B along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information recorded after 23 February 2020 regarding this account from Mrs B's credit file.
- Or, if after the rework the outstanding balance still exceeds £900, NewDay should arrange an affordable repayment plan with Mrs B for the remaining amount. Once Mrs B has cleared the outstanding balance, any adverse information recorded after 23 February 2020 in relation to the account should be removed from their credit file.
- As NewDay has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

\*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mrs B a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

## **My final decision**

I uphold the complaint and require NewDay Ltd trading as Fluid to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 4 November 2022.

Ray Lawley  
**Ombudsman**