

The complaint

Mr M complains that NewDay Ltd trading as Fluid irresponsibly approved his credit card account and later increased the credit limit to unaffordable levels.

What happened

Mr M says he applied for the Fluid account in January 2020. He says at the time he was in about £23,000 of debt and had other credit card accounts. Mr M says a credit search would have shown the problem. He says the account was unaffordable and the credit limits shouldn't have been increased. Mr M would like all interest and charges refunded as well as compensation for what took place.

Fluid says Mr M told it he earned over £30,000 a year with additional household income of over £23,000. It says it carried out appropriate credit checks and that there wasn't any adverse information on Mr M's credit file. Fluid says Mr M's household income ought to have been sufficient for his borrowing levels and says he managed his account appropriately until the present time. It says the initial credit limit was £300 which increased to £2,550 in December 2020.

Mr M brought his complaint to us and our investigator upheld it. The investigator thought Mr M's income didn't cover his monthly credit commitments and had taken out loans with high cost lenders. The investigator thought further checks ought to have been carried out and that interest should be refunded.

Fluid doesn't accept that view and says Mr M's debt decreased by the time of the latest credit limit increase.

My provisional view

I issued a provisional view on this complaint and said as follows

Lenders and credit providers must carry out appropriate affordability checks. Those checks will of course vary depending on the type and amount of lending. And I wouldn't have expected Fluid's checks to have been as detailed here compared to for example, a mortgage application or large loan. This was an application for a credit facility.

I looked carefully at Mr M's account application. I was satisfied he told Fluid he was in employment with a household income of over £50,000 a year. I could see from Fluid's records that it checked Mr M's credit file which didn't show any adverse information such as defaults or accounts in arrears. I also saw that Fluid checked Mr M's other credit commitments and calculated his other debt. I was satisfied that checks were carried out and that on the face of it, no obvious adverse information was available that would have led Fluid to conclude the credit facility was unaffordable.

I appreciated that Mr M had existing debt but was satisfied that the household income should have been able to support that debt. I also thought that the important point was that Mr M

managed his existing accounts appropriately by making required payments. So, I was satisfied that Fluid did carry out reasonable and proportionate checks on Mr M's application and that its decision to approve what I thought was a very modest credit facility of £300 was not irresponsible or unaffordable.

The credit limit was increased on two occasions during 2020. I looked at Mr M's credit file from that time and looked carefully at his account management. I was satisfied that Mr M's credit file during 2020 didn't have any adverse information that Fluid ought to have considered and saw that his existing debt decreased. I was also satisfied that Fluid was entitled to consider that Mr M managed his account appropriately before the credit limit increases by making appropriate payments on time. So, I didn't think the decision to increase the credit limits was irresponsible and didn't think they ought to have been unaffordable.

I appreciated that Mr M did have other debts and took out payday lending. But I could also see Mr M managed those debts and repaid his borrowing. I didn't think those other debts ought to have led to Fluid carrying out further checks on either the initial application or the later credit limits increases.

I looked at Mr M's credit file in detail and looked at his bank account statements. Having done so I thought it likely Mr M's financial difficulties may have been caused by factors that Fluid would have been unaware of. I thought it likely that on the face of it the Fluid account ought to have been affordable, but Mr M's additional spending led to the financial strain. I said those were not matters I could fairly hold Fluid responsible for or that it ought to have known about. I also thought that, as Mr M managed his account appropriately for some time after the last credit limit increase, that provides additional evidence of affordability.

I said that Fluid hadn't provided the account statements just the account spreadsheet. I said I hoped it would provide that information before my final decision as well as the up to date account position. I also hoped Mr M would confirm if he has asked for any financial help from Fluid.

Nether side has responded to my provisional 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.

Having done so I have come to the same overall view that I reached in my provisional view and for the same reasons.

My final decision

My final decision is that I don't 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 26 January 2023.

David Singh
Ombudsman