

The complaint

Mr A complains NewDay Ltd trading as Fluid (NewDay) acted irresponsibly when it approved a credit card account for him.

What happened

Mr A says he applied for a credit card with NewDay in August 2020, and he was provided with a credit card limit of £1,200. Mr A says if NewDay had carried out a more thorough investigation of his finances it would have shown he was under financial pressure elsewhere and the credit card shouldn't have been approved. Mr A wants NewDay to refund all interest and charges with 8% simple interest on that sum and remove any adverse markers from his credit file.

NewDay says it carried out reasonable and proportionate checks when Mr A applied for the credit card account and no further increases were agreed thereafter. NewDay says their checks showed there was no adverse credit information at the time the credit limit was approved. NewDay says it acted fairly and previously supported Mr A with a payment holiday and suspended interest payments when he informed them he'd lost his job. NewDay says it acted appropriately when marking his credit file when the due monthly payments were missed and has a responsibility to do so.

Mr A wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt NewDay had carried out reasonable and proportionate checks for the level of credit being provided at the time of application. The investigator says it appeared that it was the change in Mr A's personal circumstances that caused the financial difficulties he faced, but he couldn't hold NewDay responsible for that.

Mr A didn't agree with the investigator's view and asked for the matter to be referred 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I can see that Mr A has gone through a difficult time both financially and with his health and that must have been a worrying time for him. When looking at this complaint I will consider if NewDay acted responsibly when it approved the credit card account for Mr A in August 2020. Mr A's complaint centres around the fact that NewDay could have done more to check his financial position before approving the £1,200 credit card facility in August 2020, and if it had it would have shown he couldn't have afforded it.

While I understand the points Mr A makes here I'm not fully persuaded by his argument. I say this because when considering issues surrounding irresponsible lending, it's important to establish if the lender – here NewDay, carried out what is considered to be reasonable and proportionate checks and I'm satisfied it did that here. It's worth saying there are no set rules as to what checks a business must undertake, but these checks should be proportionate to the amount lent, term and ability of the consumer to maintain future payments.

From the information I have seen Mr A applied for a credit card in early August 2020 and based on the income he declared and his financial position at that time, a limit of £1,200 was approved. Given Mr A had declared an income of £65,000 and NewDay's checks at that time showed no adverse credit issues on the borrowing he had outstanding elsewhere, I can't say an initial limit at that level was unreasonable.

It's also worth mentioning NewDay declined future limit increase requests and once it became aware of Mr A's health and related financial issues, it provided support by way of payment holidays and an interest freeze – as I would expect. I can also see NewDay as a gesture of good will refunded some charges which I am satisfied was fair of them here.

While I have some sympathy with Mr A given the financial issues he faced, I can't say that was ever made known to them at the time Mr A applied for the credit card account nor would it have been clear from the checks it carried out back in August 2020.

So, while Mr A may not agree I can't say NewDay have acted unfairly here, and it does have a responsibility to record accurate information to the relevant credit agencies as it explained to Mr A in the letters it sent to him in June 2022 and July 2022. With that in mind, I can't ask NewDay to remove the markers on Mr A's credit file or to refund the interest and charges on the credit card account. It's important that Mr A now discusses with NewDay or its collection agents a suitable way forward if that hasn't already been arranged.

While Mr A will be disappointed with my decision, I won't be asking anymore of NewDay here.

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 A to accept or reject my decision before 16 May 2023.

Barry White
Ombudsman