

The complaint

Miss O complains that NewDay Ltd trading as Fluid lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

In September 2021 Miss O applied for a balance transfer credit card with Fluid. In her application, Miss O said she was employed with an income of £12,000. Fluid carried out a credit search and found Miss O had another credit card with that she was making monthly repayments of £128 to. Fluid also found a mortgage with monthly repayments of around £278. No defaults or county court judgements were found on Miss O's credit file.

Fluid applied mortgage costs of £278, credit commitments of £128 and general cost of living estimate of £409 to Miss O's income of £1,000. Fluid says that left Miss O with an estimated disposable income of around £185 a month. Fluid approved a credit card with a limit of £1,200.

In February 2022 Fluid increased the credit limit to £2,450 and in July 2022 it was increased to £3,700. Fluid says that before each credit limit increase it looked at Miss O's credit card history and credit file. Fluid says both credit limit increases were approved in line with its lending criteria.

Miss O's told us that shortly after the second credit limit increase her circumstances changed following child birth and that her credit commitments weren't affordable. Miss O went on to agree a payment plan with Fluid, making repayments of £100 a month. New spending on Miss O's credit card was suspended.

Earlier this year, Miss O complained that Fluid lent irresponsibly and it issued a final response. Fluid didn't uphold Miss O's complaint and said the relevant lending checks had been completed before deciding to approve her application and increase the credit limit.

An investigator at this service looked at Miss O's complaint. They thought the original decision to approve Miss O's application in September 2021 was reasonable based on the information Fluid obtained. But the investigator wasn't persuaded Fluid had completed proportionate checks when increasing Miss O's credit limit and thought it should've gone further, like looking at her bank statements, to get a better picture of her circumstances.

The investigator looked at Miss O's bank statements for the months before each credit limit increase. They thought that Miss O's bank statements showed she had capacity to sustainably afford repayments based on the higher credit limits and didn't uphold her complaint. Miss O asked to appeal and said that whilst the original credit limit of £1,200 was affordable, the additional credit limit increases were not. Miss O explained she called Fluid and agreed a payment plan to help reduce payments made to cover interest. Miss O said she didn't agree appropriate lending checks were completed by Fluid. As Miss O asked to appeal, her 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 or increasing the credit limit, the rules say Fluid had to complete reasonable and proportionate checks to ensure Miss 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. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As noted above, I can see Miss O provided details of her income of £12,000 a year in her application and confirmed her mortgage costs of around £280. Fluid carried out a credit search and found Miss O had another credit card with monthly repayments of around £128. Fluid also applied an estimate of Miss O's living expenses at £409 a month. Taking all the above into account, Fluid says Miss O had a disposable income of around £185 which was sufficient to cover repayments to a credit card with a limit of £1,200. I also think it's fair to note Miss O applied for a balance transfer credit card with Fluid which came with 0% for nine months. So I think it's reasonable to say there was an intention that by opening this credit card Miss O's borrowing costs would go down.

Given the amount and type of credit Miss O applied for, I'm satisfied Fluid did complete reasonable and proportionate lending checks before deciding to approve her credit card with a limit of £1,200. I haven't found information that leads me to conclude Fluid's lending checks should've gone further or that it lent irresponsibly when it approved Miss O's credit card application.

I note that when Fluid increased Miss O's credit limit to £2,450 in February 2022 the level of her unsecured credit had increased to around £2,400 with monthly repayments of around £159. I can see Fluid used a higher income figure for Miss O of £1,413 which it says was obtained via the credit reference agencies. But I think an increase in unsecured credit is at odds with an increase of over £400 a month in Miss O's monthly income. In the circumstances, I think Fluid should've carried out better checks before increasing the credit limit to £2,450. One option would've been to review Miss O's bank statements for the months before the credit limit increase which is what I've done.

Miss O's average income between November 2021 and January 2022 was £1,431 a month. Miss O's outgoings for items like her existing debts and regular bills changed depending on whether childcare costs were debited. Overall, Miss O's average outgoings were around £372.77 a month during this period. So broadly speaking, Miss O had around £1,050 a month as disposable income after her existing credit commitments and regular bills were covered. In my view, that was sufficient for Miss O to sustainably afford other everyday living expenses and a higher credit limit of £2,450 without causing financial harm. I'm sorry to

disappoint Miss O as whilst I agree Fluid should've carried out better checks, I think it's more likely than not that if it had it would've still approved a credit limit of £2,450 in February 2022.

Fluid increased the credit limit to £3,700 in July 2022. For the same reasons as the previous credit limit increase, I think Fluid should've carried out a more comprehensive assessment of Miss O's circumstances before it lent further. I've looked at the three months bank statements before the second credit limit increase to see whether Miss O had capacity to make further repayments to Fluid.

Miss O's average income for the three months before the credit limit increase was around £1,295. And Miss O's average outgoings for her existing credit commitments and other automated payments for items like her car insurance and mobile phone contract came to around £175. I can see Miss O was using her account for everyday spending and transferring funds to another account on a regular basis. But Miss O's bank statements show her account was well maintained with no overdraft, returned direct debits or evidence she was struggling financially.

I'm sorry to disappoint Miss O but in my view if Fluid had gone further, like looking at her bank statements, it would've found she had capacity to afford a credit limit increase. I think Fluid would've still approved the second credit limit increase even if it had carried out a more comprehensive assessment of Miss O's circumstances. I'm sorry to disappoint Miss O but I haven't been persuaded that Fluid lent irresponsibly.

Miss O's told us that the second credit limit increase was put in place while she was around six months pregnant. But I haven't seen anything that shows Fluid was aware of Miss O's change of circumstances. And I note the original application Miss O completed didn't include any reference to having dependents. So I'm unable to agree Fluid acted unfairly by not taking Miss O's dependents into account when completing its lending assessments.

When a customer is in financial difficulties business are required to treat them positively and sympathetically. Here, when Miss O struggled with repayments, Fluid agreed a payment plan and reduced her monthly repayments to £100. Fluid also suspended new spending on the credit card so the overall balance couldn't increase further. In my view, those are positive and sympathetic steps and I haven't been persuaded that Fluid treated Miss O unfairly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Fluid lent irresponsibly to Miss O or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 15 January 2025.

Marco Manente
Ombudsman