

## **The complaint**

Mr W has complained about a credit card NewDay Ltd trading as Fluid Credit Card ("NewDay") provided to him.

Mr W says that he shouldn't have been given the credit card as it was unaffordable for him.

## **What happened**

In April 2021 NewDay provided Mr W with a credit card with a credit limit of £2,000. In August 2021 NewDay increased the credit limit to £2,700.

After he had complained to it, NewDay issued Mr W with a final response letter ("FRL"). Under cover of this FRL NewDay said that it stood by its decision to provide Mr W with a credit card in April 2021 (with a credit limit of £2,000) but accepted, on the grounds of affordability, that it shouldn't have granted the credit limit increase of £700 in August 2021.

In July 2024, and unhappy with NewDay's FRL, Mr W referred his complaint to our service.

In September 2024 and having not received any submissions from NewDay in support of its FRL conclusions one of our investigators came to the view that Mr W's complaint should be upheld in its entirety. In other words, the investigator came to the view that NewDay shouldn't have provided Mr W with a credit card at all.

In October 2024 NewDay provided our service with its submissions in support of its FRL conclusions.

In November 2024 Mr W's complaint was reviewed afresh, in light of NewDay's submissions in support of its FRL, by another investigator. This investigator came to the view that NewDay had done nothing wrong in providing Mr W with a credit card (with a credit limit of £2,000) in April 2021.

Mr W didn't agree and so his complaint has been passed to me for review and 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.

First, I would like to point out that I've read the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point or particular piece of evidence, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome. Our rules allow me to do this, reflecting the fact that we are an informal free service set up as an alternative to the courts.

Secondly I would like to point out that I'm persuaded that I can fairly decide this case based on what has been said and submitted and therefore there is no need for me to engage with either Mr W or NewDay by telephone.

Finally I would like to make clear that given that NewDay has agreed to compensate Mr W (in line with our approach) for the August 2021 credit limit increase this decision is restricted to NewDay's decision to provide Mr W with a credit card, with a credit limit of £2,000, in April 2021 only.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr W's complaint.

NewDay needed to make sure it didn't lend irresponsibly. In practice, what this means is NewDay needed to carry out proportionate checks to be able to understand whether Mr W could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

NewDay says it agreed to Mr W's application after Mr W declared he was earning £30,000 a year, after it had carried out a credit search and after it had calculated a figure for Mr W's non-discretionary expenditure. And all this indicated that Mr W would be able to make the monthly repayment due on a credit card with a credit limit of £2,000.

On the other hand Mr W says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr W was provided with a revolving credit facility rather than a loan. And this means that NewDay was required to understand whether a credit limit of £2,000 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £2,000 required payments of approximately £150 a month in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information NewDay obtained from Mr W, the results of the credit search it undertook and its calculation of Mr W's non-discretionary expenditure.

Mr W declared he was earning £30,000 a year. Now although I appreciate that Mr W might not have been earning £30,000 a year I've seen nothing that would lead me to conclude that NewDay should have gone on to question this declaration or gone on to ask Mr W to provide it with evidence in support of it, such as salary slips.

The credit search undertaken by NewDay showed that Mr W had debt of approximately £12,000 with an associated monthly 'servicing' cost of approximately £400. This search also showed that there were no arrears, missed payments, defaults, county court judgements or insolvency information recorded against Mr W.

Now I accept that Mr W was utilising almost all of his revolving credit and operating his current account in overdraft but I'm not persuaded that this fact means that he shouldn't have been lent to.

I accept that Mr W's circumstances in April 2021 might have been worse than what the information NewDay obtained showed and that his non-discretionary expenditure might have been more than the circa £1,350 NewDay calculated it to be. However, I don't think that there was anything immediately obvious in the information that NewDay had, including Mr W's existing credit, which meant it should've asked Mr W to provide supporting evidence in support of his expenditure such as bank statements, before providing him with a credit card with a credit limit of £2,000, in this instance.

Overall and having considered everything, while I can understand Mr W's sentiments I don't think that NewDay treated him unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable, particularly in light of the relatively low monthly repayments that would be required to repay £2,000 within a reasonable period of time

For all of these reasons, I don't think NewDay lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

My final decision is I don't uphold this complaint.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 December 2024.

Peter Cook  
**Ombudsman**