

Complaint

Miss D has complained about a credit card and subsequent limit increases that NewDay Ltd (trading as “Fluid”) provided to her. She says that her credit limit increases were irresponsibly provided.

Background

Fluid provided Miss D with a credit card, which had a credit limit of £600, in August 2021. Miss D was then offered a credit limit increase to £1,600.00 in May 2022, a further increase to £1,950.00 in February 2023 and then a final limit increase to £2,250.00 in June 2023.

One of our investigators reviewed what Miss D and Fluid had told us. And she thought Fluid hadn’t done anything wrong or treated Miss D unfairly in relation to providing the card or increasing the credit limit. So she didn’t recommend that Miss D’s complaint be upheld.

Miss D disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 Miss D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss D’s complaint. I’ll explain why in a little more detail.

Fluid needed to make sure it didn’t lend irresponsibly. In practice, what this means is Fluid needed to carry out proportionate checks to be able to understand whether Miss D 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.

Fluid says it offered the credit limit increases due to Miss D’s account being relatively well managed and after it carried out credit searches. In its view the information obtained would have indicated that Miss D would be able to make the low monthly repayments due for these limit increases.

On the other hand, Miss D says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss D was provided with a revolving credit facility rather than a loan. This means that Fluid was required to understand whether credit limits of £600, £1,600.00, £1,950.00 and £2,250.00 could be repaid within a reasonable period of time, rather than all in one go. And credit limits of £600, £1,600.00, £1,950.00 and £2,250.00 didn't require especially large monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen the information that Fluid obtained from Miss D about her income and what was on the credit search carried out. Fluid says that Miss D declared receiving £20,000.00 a year. Fluid's credit checks show that Miss D didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") – recorded against her. Furthermore, Miss D didn't appear to be heavily indebted either.

As this is the case, I'm satisfied that the checks carried out before Miss D was provided with the credit card were reasonable and proportionate. And as the information gathered suggested that the monthly payments were affordable, I don't think that Fluid acted unfairly when opening Miss D's account with a credit limit of £600.

At the time of the first limit increase, which provided the largest increase (in monetary terms), Fluid's credit check didn't show any defaulted accounts or CCJs recorded against Miss D at this stage either. Furthermore, Miss D's balances hadn't increased significantly either. I can also see that Fluid appears to have captured some information on Miss D's rent costs too. I also don't think it was unreasonable for Fluid to rely on what it had about Miss D's income and expenditure, given the credit checks showed her finances to be relatively stable too.

As this is the case, I'm satisfied that the checks carried out before Miss D was provided with the first limit increase, in May 2022, were reasonable and proportionate. And as the information gathered suggested that the monthly payments required were likely to be affordable, I don't think that Fluid acted unfairly when opening increasing Miss D's credit limit to £1,600.00.

For the second and third limit increases, it appears as though Fluid relied on Miss D's account having been managed well in the months after the first limit increase. In the first instance I should make it clear that it isn't immediately apparent to me how it is automatically the case that a borrower can afford a higher amount of credit simply because they might not have defaulted on a lower amount.

It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to carry out reasonable enquiries to ensure that this doesn't happen.

Leaving aside my concerns regarding the justification for the credit limit increase, in my view, what's important here is that there wasn't anything in the way of any additional significant adverse information on the credit search Fluid carried out. Furthermore, Miss D had completely cleared her balance a couple of months prior to the second limit increase and was making payments in excess of what was needed to clear what could be owed as a result of the third limit increase, in the lead up to it being granted.

In these circumstances, Miss D's repayment record does suggest that Fluid was reasonably entitled to believe that Miss D could afford the second and third limit increases. Given this is

the case and the fact that Miss D's external indebtedness appeared to be decreasing between the time of the second and third limit increases, I'm not persuaded that it was unfair or unreasonable for Fluid to have offered the second limit increase in February 2023 or the third increase in June 2023.

In reaching my conclusions, I've also noted that Miss D did eventually go on to have difficulty making the payments to her credit card. I've also considered Fluid's actions when Miss D fell into arrears and it became aware she was having difficulty making her payments. In doing so, it looks like Fluid has tried to help Miss D clear her arrears by setting up payment arrangements with her.

Furthermore, in order to help ensure that Miss D's indebtedness didn't increase, Fluid closed her account to new spending. I think that this was a proportionate measure with a view to ensuring that Miss D's indebtedness on the card doesn't spiral. And I'm satisfied that the combined measures means that Fluid did act fairly and reasonably on becoming aware that Miss D was having difficulty making the repayments to her account.

In reaching my conclusions, I've also considered whether the lending relationship between Fluid and Miss D might have been unfair to Miss D under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Fluid irresponsibly lent to Miss D or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Fluid treated Miss D unfairly or unreasonably. And I'm not upholding this complaint. I appreciate this will be very disappointing for Miss D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 24 March 2025.

Jeshen Narayanan
Ombudsman