

The complaint

Mr F complains NewDay Ltd trading as Fluid Mastercard (NewDay) didn't appropriately check his credit record or income and expenditure before approving him for credit.

What happened

In October 2022, Mr F took out a credit card with NewDay. The card had an additional credit limit of £2,000. In March 2023, NewDay increased Mr F's credit limit to £3,100.

In May 2023, NewDay say Mr F contacted them to advise he was in financial difficulties. And in July 2024, he complained to NewDay that they'd failed to adequately assess him for credit before agreeing to lend to him.

In August 2024, NewDay sent Mr F their final response, partially upholding his complaint.

NewDay said for Mr F's initial application, they undertook a creditworthiness assessment using both the information provided by him within the application and information they'd been provided by the credit reference agencies (CRA's). They said the check highlighted Mr F had sufficient disposable income to make the lending affordable without causing him adverse financial difficulties.

But, while they also considered they'd completed proportionate checks for the 2023 credit limit increase, as Mr F had since explained his circumstances changed around that time, they upheld his complaint from this point.

NewDay refunded fees and interest relating to balances over the initial £2,000 credit limit and agreed to remove any adverse data reported after March 2023, once the outstanding debt had been repaid in full.

In September 2024, Mr F referred his complaint to the Financial Ombudsman Service.

One of our Investigators looked into things and while he didn't think the checks NewDay carried out prior to the initial lending were proportionate, he said had they done further checks, NewDay would've still found that it was ok to approve the lending, so he didn't think their decision to do so was unfair.

Mr F disagreed with our Investigator saying NewDay had admitted being at fault so shouldn't be allowed to get away with it and disagreed they'd done enough to put things right.

Our Investigator explained NewDay had upheld Mr F's complaint from the point of the credit limit increase, so he'd not looked into that further. But, regarding the initial account opening, our Investigator said after reviewing Mr F's income and expenditure, he thought if NewDay had completed proportionate checks, they'd have still seen he had enough disposable income to afford the lending.

Because no resolution could be reached, this case has been passed to me to decide.

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, although I appreciate it'll be a disappointment to Mr F, I'm not upholding his complaint and for much the same reasons as our Investigator. I'll explain why.

But first, I'm aware Mr F has commented about NewDay's failure in March 2023 when they increased his credit limit. As our Investigator explained, NewDay upheld this element of Mr F's complaint. In short, they've acknowledged, based on his circumstances at the time, they shouldn't have increased his limit.

By refunding both the fees and interest applied on any balance over Mr F's initial £2,000 limit and agreeing to remove any adverse data applied after the credit limit increase once any outstanding debt is cleared, I'm satisfied they've acted as I'd expect them to have done to put things right here.

Because of this I won't be asking them to do anything further with regard to the March 2023 limit increase and I won't comment on it further in this decision.

NewDay's decision to approve Mr F's initial credit card application with a credit limit of £2,000 is what remains in dispute here. It's this I'll now focus on.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr F's complaint. NewDay needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him before agreeing to provide the credit.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like NewDay to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did NewDay complete reasonable and proportionate checks to satisfy themselves Mr F would be able to meet the repayments of the borrowing without experiencing significant adverse impact on his financial situation?
 - If they did, was their decision to lend to Mr F fair?
 - If they didn't, would reasonable and proportionate checks have shown that Mr F could sustainably repay the borrowing?
- Did NewDay act unfairly or unreasonably in any other way?

Did NewDay complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Here, NewDay approved a credit card for Mr F with a limit of £2,000. This meant if he was to

have utilised the full limit straightaway, he would have needed to have made monthly repayments of around £160 to have paid back the borrowing within a reasonable period of time.

So, I think NewDay approved a substantial credit limit for Mr F and ought to have factored in monthly repayments of not an insignificant amount, so my starting point is that I'd expect to see NewDay to have gained a good understanding of Mr F's financial situation.

At the time of his application, Mr F declared his annual income as being £54,000 from which NewDay estimated his monthly income to be around £3490. NewDay estimated Mr F's monthly expenditure to be around £540 towards the cost of living, £423 towards housing costs and £12 towards existing credit commitments. NewDay then concluded Mr F was likely to have had around £2500 disposable income each month.

In addition to the information Mr F declared, NewDay also completed a credit check to help them understand how he managed both his current and existing finances.

NewDay say the credit check showed them Mr F was not in default of any of his credit accounts, that there were no signs of bankruptcy or IVA's and that he was not in any repayment plans.

But the credit check also told NewDay Mr F had missed one repayment on at least one credit account within the six months prior and that he had a delinquent credit account at the time.

While I acknowledge from the information NewDay obtained, Mr F looked to be managing his existing credit relatively well, there were also signs of financial difficulties which I think ought to have caused NewDay to have satisfied themselves the information they'd been provided was accurate.

I say this because NewDay had determined Mr F likely had around £2500 disposable income each month, yet they were aware he'd fallen behind by one repayment on at least one credit account recently before the application, in addition to having knowledge of the delinquent account at the time.

NewDay took Mr F's declared income on face value, but I think they should've taken steps to verify what he earned considering the substantial limit they went on to agree. I've not seen anything to suggest they did this. The information provided by NewDay says '*No Data*' where I'd expect to have seen this. I also think NewDay ought to have done more to understand Mr F's actual expenditure rather than relying solely on estimations.

So overall, on balance I'm not satisfied NewDay did proportionate checks, and I think they should have done more to verify Mr F's income and his actual expenditure.

If NewDay had carried out proportionate checks, what would they have found?

I can't be sure what exact information and evidence NewDay would've asked for or received had it carried out reasonable and proportionate checks but as I've said, for starters, I think it would have involved them taking steps to verify Mr F's income and gain an understanding of his actual expenditure.

NewDay could have verified Mr F's income in various ways such as by conducting an automated check via the CRA's or alternatively, they could have requested sight of his payslips or bank account statements.

To determine what NewDay would have likely found had they verified Mr F's income, I've looked at his bank account statements for the three months leading up to the application.

I've seen this showed Mr F earned on average around £2,970 a month. So had NewDay completed checks to verify Mr F's income, I think they would've verified his gross annual income to be around £44,500.

Whilst I'm not saying this would've been reason alone not to lend to Mr F, the income I think they'd likely have verified had they done checks to do so was around £9,500 less annually than the figure he'd declared to NewDay. I think this is further reason for them to have understood more about Mr F's essential expenditure prior to agreeing to lend. So, it's this I've considered next.

Again, I've looked at the three months prior to NewDay's initial lending decision, this time for both his sole and joint bank account statements to best understand his essential expenditure at the time. As NewDay only considered Mr F's sole income, I've considered 50% of the essential expenditure paid from his joint account when considering his commitments.

I'm not saying NewDay specifically had to request statements from Mr F at the time. They could've obtained figures relating to his essential expenditure like for cost of living and housing costs through various means such as by asking him. But now, after the event, I think looking at these statements is the best way for me to gain a picture of what I think NewDay would most likely have found out or been told had they tried to establish his actual expenditure as I think they ought to have done.

Having looked at the information provided; from what I've seen Mr F paid around £410 towards a mortgage each month. For other essential expenditure such as towards tax and insurances, utilities, groceries and subscriptions such as gym and TV services – on average I can see he paid around £690 each month.

From Mr F's credit file, NewDay determined that Mr F paid £12 towards existing credit commitments. But I can see on Mr F's statements for the two months prior to the lending decision, he also paid a commitment towards a loan of around £198 a month.

I've seen on the credit report provided by Mr F, this loan was only reported by one of the CRA's the report shows so I can't say for certain NewDay ought to have been aware of this. But I am satisfied Mr F would've disclosed this expense to them had they asked more about his expenditure, so I've included this commitment as something they ought to have considered when reaching my decision.

So, in summary, had NewDay verified Mr F's income and asked more about his actual essential expenditure I'm satisfied they would've found he received on average around £2,970 a month. I also think it's more likely than not they would've found his essential monthly expenditure to have been around £1,300 leaving him a disposable income of around £1670 a month.

This amount of disposable income significantly exceeded the worst-case commitment Mr F would've been required to make towards to new borrowing should he have utilised the full £2,000 limit straightaway.

It follows I'm satisfied had NewDay done reasonable and proportionate checks, they would've found the lending to be both affordable and sustainable. So I can't say NewDay made an unfair lending decision by agreeing to lend to Mr F so I'm not upholding this complaint.

Did NewDay act unfairly or unreasonably in some other way?

NewDay acknowledged Mr F's facing financial difficulties after he let them know this was the case in May 2023. They confirmed in their final response to him no further interest or fees would be applied to his account going forward and they encouraged him to contact them to discuss his situation. NewDay also provided Mr F with details of external organisations that might be about to help him.

From the evidence I've seen, I've not seen anything to suggest NewDay have treated Mr F unfairly or unreasonably in any other way. However, NewDay remain aware of his situation, I'd remind them of their continued responsibility going forward to treat him with forbearance and due consideration.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr F has complained about, including whether it's relationship with him might have been unfair under s.140A Consumer Credit Act 1974.

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons I've given, 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 F to accept or reject my decision before 2 July 2025.

Sean Pyke-Milne
Ombudsman