DRN-5502842

The complaint

A limited company, which I'll refer to as C, complains that New Wave Capital Limited trading as Capital on Tap ("CoT") offered no support when C got into difficulties. C also says that CoT should not have lent to it and should not have increased its limit many times, as the lending wasn't affordable.

C is represented by its director, Mrs O, who has also made a complaint in her personal capacity as a guarantor, which is the subject of a separate decision.

What happened

In January 2018, C entered into a revolving credit agreement with CoT with an initial limit of £2,500.

Over the following years, CoT increased C's limit five times until it reached £12,000 in September 2021.

C made at least the minimum payment each month until May 2024.

In May 2024, C cancelled the monthly direct debit. Mrs O used CoT's livechat function to inform them that C could no longer afford the monthly minimum payments. Some discussions around affordability followed, but no payment plan was agreed, because CoT said Mrs O's offers were insufficient.

Mrs O complained on behalf of C. CoT didn't uphold the complaint, as they said they'd followed their collections process correctly. Mrs O then asked the Financial Ombudsman to investigate.

In August 2024, after we began our investigation, CoT informed our service that they had reconsidered their stance and agreed a six month repayment arrangement at £25 a month. They had also refunded the interest from May and June and frozen future interest.

I issued a provisional decision on 26 March 2025. I didn't uphold the complaint and said:

> **Did CoT act fairly when it increased C's limit?**
>
> In reaching my conclusions, I need to take into account relevant law and regulations; standards and what I consider to have been good industry practice at the time. Having done so, I've reached the same conclusion as our investigator, for essentially the same reasons.
>
> The lending that has taken place here is not regulated – by the FCA or any other body. So none of the protections or regulations that apply to consumer lending are relevant here. There are, however, some standards that I consider relevant, the Standards of Lending Practice for Business Customers, published by the Lending Standards Board. CoT aren't a signatory to these standards, but I consider they are a useful proxy for best practice, so I have taken them into account in deciding what's fair and reasonable.

The 2018 agreement set C's credit limit as £2,500, which the agreement described as an "initial credit limit at date of agreement". The agreement went on to explain that "This is the maximum credit amount that is available to you at any one time. This can be changed later. We will tell you about any changes to your credit limit in the ways set out in Clause 33." (Clause 33 set out that communication would take place by email or text message).

In 2019, Mrs O was asked to sign an amended agreement. In between these two events, CoT had increased C's limit to £3,000 and this was reflected in the amended agreement. Again, this agreement said that "We set your credit limit from time to time and tell you what it is". My conclusion is that the agreements made it clear that CoT had the power to change the limit at any point and would let C know if they did so. I think CoT's subsequent actions were in line with these terms.

There were four more limit increases – September 2020 (£5,000), March 2021 (£7,000), May 2021 (£9,000) and September 2021 (£12,000). On each occasion, I've seen evidence that Mrs O was sent an email informing her of the increases. The latter three emails also said:

> "We'll continue to keep an eye on your repayments and credit performance, and we'll be sure to contact you should we be able to improve your interest rate and/or credit limit again in the future!
>
> If you would like to opt out of this change, simply let us know by responding to this emall and we can change it back for you".

I think these communications were clear and gave Mrs O the option by simple means to opt out of the increase if C wished. Even if Mrs O had missed the emails, it would have been evident to her that the limit had been increased when she used the card and she chose to take advantage of the new limit on each occasion.

CoT say that they carry out affordability checks each time a customer's limit is increased using credit scoring, account usage and repayment behaviour. They have provided evidence that these checks did not show any indications of financial difficulty at the points C's limit was increased.

Mrs O argues that CoT were lending to C irresponsibly, but I haven't seen any evidence that could reasonably have led CoT to be aware that C was in financial distress before May 2024, which is several years after the last limit increase. C's credit record showed monthly repayments made on time and no arrears.

I appreciate that in retrospect, Mrs O would rather CoT hadn't increased C's limit. She has said that since the pandemic, C had been using bounce back loan funds to make its repayments. However, I haven't seen any evidence that CoT could have known this. My provisional conclusion is that CoT did not act unreasonably in doing so and their actions were in line with industry practice.

Did CoT act fairly when C informed them that it was in financial difficulties?

Mrs O informed CoT that the business could no longer afford to make minimum payments in May 2024. CoT declined her request for a six month breathing space. She then supplied income and expenditure details and offered £25 a month, which was initially also declined.

CoT "terminated" C's agreement in July 2024, which meant that they formally

demanded repayment in full. Interest was frozen from then on. On 1 August 2024, CoT then reconsidered Mrs O's circumstances and agreed to her £25 a month offer. They also removed interest charged for May and June 2024.

I have looked carefully at the communications between CoT and C after Mrs O cancelled the direct debit and informed them the business was struggling. I think CoT's responses were appropriate and in line with the Standards of Lending Practice, which say firms should respond empathetically and listen to their customers with a view to developing an appropriate and mutually acceptable solution. CoT's Collections team got in touch with Mrs O within hours asking some more questions about the business' difficulties and anything that might improve them.

I know that CoT changed their mind about Mrs O's repayment proposal, but firms are entitled to reconsider their stance. £25 a month is a small amount given the size of the outstanding debt, so I don't think it was unreasonable for CoT to show some reluctance to accept this. However, they re-evaluated C's circumstances and then agreed to her proposal in August. I think this was fair and the backdating of the interest freeze ensured that she was not disadvantaged by the delay. I have seen nothing in CoT's actions that contravenes good industry practice.

I am aware that CoT have now sold the debt to a third party. This action is permitted by the terms of the agreement Mrs O signed and is not out of line with market practice.

Mrs O disagreed with my provisional decision. She said CoT had sold the debt while she was still under the repayment agreement and had been nothing but ruthless. She also disagreed that September 2021 to May 2024 constituted several years.

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 reconsidered everything, I'm afraid I haven't been persuaded to change my provisional view. So I'm not going to uphold this complaint. I have little to add to what I said before.

CoT last increased C's limit in September 2021, at which point I found no evidence that CoT could reasonably have known C was in financial difficulty. Indeed, I don't think CoT had any indication of this until May 2024, which is over two and a half years later.

I know Mrs O is disappointed that CoT chose to sell on her debt even while the repayment plan was still in place, but this is something they are entitled to do. Once CoT have taken the action that they call "terminating an account" (which includes an interest freeze), they can sell the debt on at any point and I don't consider they misled Mrs O about the likelihood of this happening.

My final decision

For the reasons set out above, including in my provisional decision, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 22 May 2025.

Louise Bardell
Ombudsman