

The complaint

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

What happened

Ms W applied for a Fluid credit card in July 2020. In her application, Ms W said she was employed with an income of £37,874 a year that Fluid calculated left her with £2,179 a month after deductions. Fluid carried out a credit search and found Ms W had been party to and Individual Voluntary Arrangement (IVA) or Bankruptcy in the previous three years. Fluid also found defaults, the newest of which was 18 months old at the point of application. No recent arrears were noted. The credit file showed Ms W owed around £1,340 in other unsecured debt and Fluid used a monthly repayment figure of £512 in its lending assessment. In addition, Fluid used an estimate for Ms W's housing costs of £425 and general living expenses of £457 a month in its assessment. Fluid applied its lending criteria and says Ms W had an estimated disposable income of £777 a month after covering her existing commitments and living expenses. Fluid approved Ms W's application and issued a credit card with a limit of £1,200.

Fluid increased the credit limit to £1,950 in August 2021 and says it checked Ms W's account history and credit file as well as completing a new affordability assessment before proceeding.

Last year, representatives acting on Ms W's behalf complained that Fluid lent irresponsibly and it issued a final response. Fluid said it had carried out the relevant lending checks before approving Ms W's application and increasing the credit limit and didn't agree it lent irresponsibly. An investigator at this service thought Fluid's decision to approve Ms W's application and increase the credit limit was reasonable. Ms W's representatives asked to appeal and requested clarification from the investigator concerning the income and expenditure assessment they'd completed. Ultimately, Ms W's representatives weren't able to agree with the assessment issued by the investigator so 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 Ms W 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.

I've set out the information Fluid used when considering Ms W's application and credit limit above. In my view, the fact Fluid was aware Ms W had recently been subject to either an IVA or Bankruptcy should've caused it to consider completing a more detailed assessment of her circumstances before agreeing to lend. One option Fluid had was to check Ms W's bank statements to get a clearer picture of her situation at the time which is what I've done.

Ms W's bank statements show she was in receipt of an earned income and benefits that averaged £2,479 a month in the three months before her application was made. In terms of Ms W's outgoings, I've included items like rent, utilities, insurances, existing credit commitments, communications, entertainment subscriptions and regular charity donations. In short, all payments collected by direct debit as well as payments that were obviously intended to cover non discretionary spending. I calculated average monthly outgoings of around £1,607. That meant Ms W had around £870 available a month to cover items like food, fuel and other general living expenses. I note Ms W's bank statements were well maintained and I wasn't able to see any evidence of financial difficulties. I think Ms W's bank statements show she had capacity to sustainably afford repayments to a new credit card with a £1,200 limit.

In my view, if Fluid had carried out better lending checks, like reviewing Ms W's bank statements, it's more likely than not that it would've still taken the decision to approve her application. I'm sorry to disappoint Ms W but I haven't been persuaded that Fluid lent irresponsibly when it approved her application.

I note Ms W's outstanding credit appears to have increased by the time the credit limit increase to £1,950 was approved in August 2021. In my view, that, in addition to Ms W's previous credit history, should've caused Fluid to look more closely at Ms W's circumstances before increasing the credit limit.

Again, I've reviewed Ms W's bank statements for the three months before the credit limit increase to get a clearer picture of her circumstances at the time. I included the same items listed above. Ms W's income appears to have increased since the application was originally approved and I found she was receiving an average of £3,490 a month made up of her normal pay, what appears to be ad hoc credits from her employer and benefit income. Ms W's average outgoings were around £1,885 a month. I've included what appears to be a £600 rent payment taken each month in addition to the other regular outgoings. Overall, I calculated Ms W had around £1,600 available each month after meeting her existing commitments to cover food, fuel and other general living expenses. Again, Ms W's bank statements show her account was well maintained with no obvious signs of financial difficulty.

Having considered the information included in Ms W's bank statements and details provided by Fluid, I think it's most likely it would've still approved the credit limit increase to £1,950 in August 2021 if it had carried out more focused checks like reviewing Ms W's bank statements first. I'm sorry to disappoint Ms W but I haven't been persuaded that Fluid lent irresponsibly when it increased her credit limit.

As I haven't been persuaded that Fluid lent irresponsibly I'm unable to uphold Ms W's complaint.

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 Ms W 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 Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 30 May 2025.

Marco Manente
Ombudsman