The complaint

Mr M complains NewDay Ltd trading as Fluid (NewDay) failed to carry out sufficient financial checks before it increased his credit card account limit.

What happened

Mr M says NewDay increased his credit card account limit in April 2019 from £900 to £2,150, at a time when his external borrowing was increasing. Mr M says NewDay acted irresponsibly here, as if it had carried out proper financial checks at the time it would have seen the increase borrowing wasn't sustainable.

Mr M says this irresponsible lending by NewDay has contributed to the financial situation he now finds himself and wants it to refund all interest and charges on the account since the increase limit was approved in April 2019, along with 8% statutory interest and remove any adverse entries on his credit file relating to this account.

New Day says it prides itself in helping customers to move forward with credit including those with perhaps a less than perfect credit background. NewDay says at the time of Mr M's initial application, and when the credit limit was increased in April 2019, it carried out comprehensive affordability checks and assessments using a wide range of information. This included data provided by credit reference agencies (CRA's), information from Mr M's application and its own records of how he had maintained his account with them.

NewDay says the information showed Mr M had no CCJ's, IVA's, defaults, missed payments with them or on his external debt or any reportable payment plans and Mr M had maintained his credit card account within the terms of the agreement, before the credit limit increase was approved.

NewDay says it is satisfied it carried out sufficient financial checks before it increased the credit limit in April 2019, and there was nothing to indicate the new borrowing was unaffordable and it acted responsibly when it approved the credit limit when it did.

Mr M wasn't satisfied with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says there is no set list of checks lenders need to complete, but these must be borrower focused meaning they should consider things like the amount, cost, type and term of any borrowing.

The investigator says when Mr M initially applied for the credit card in November 2018, he had declared an annual income of £42,568 with a strong net disposable income. The investigator pointed out from the information she had seen, NewDay's financial checks via his credit report showed no adverse information such as missed payments, defaults, CCJ's or IVA's.

The investigator says when the credit limit was increased to £2,150 from £900 in April 2019, NewDay carried out similar financial checks via CRA's and again there was no adverse information recorded to suggest anything of concern. The investigator says while Mr M's external borrowing had increased, and his net disposable income had reduced to around £226 per month, she still felt the credit limit increase was affordable and sustainable and he was managing his existing credit well.

The investigator concluded that NewDay carried out reasonable and proportionate checks before it approved the credit card account and the subsequent credit limit increase, and its decision to lend was fair.

Mr M didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mr M is experiencing financial difficulties and that must be a source of worry for him. When looking at this complaint, I will consider if NewDay acted irresponsibly when it increased the credit limit on Mr M's credit card account in April 2019.

Mr M's complaint centres around his view that NewDay failed to carry out sufficient financial checks before it increased his credit card limit from £900 to £2,150 in April 2019. Mr M maintains that if it had it would have seen his external borrowing wasn't reducing and any new borrowing of this level wasn't sustainable.

While I understand the points Mr M makes here, I'm not fully persuaded by his argument and I will go on to explain why.

As the investigator has pointed out there's no set list of checks lenders like NewDay must carry out before approving any lending, but these should be borrower focused, taking into account the amount, type, term and cost of any such borrowing. It's not for me to tell NewDay from where or what sources it must use to carry out such checks, but here I can see in part, it used information and data provided by recognised CRA's.

It's worth mentioning here that NewDay are what is known as a *"low and grow"* lender meaning as the name suggests, it looks to initially provide modest limits to consumers and looks to increase these subject to the account management – this is done to help customers, in some cases with a less than perfect credit background, to improve their credit standing overtime.

From the information I have seen when Mr M applied for the credit card account in 2018, NewDay relied upon information from his credit application and data supplied from credit reference agencies and this showed while Mr M had external borrowing this was well managed and there were no CCJ's, IVA's, defaults, late or missed payments recorded on his credit file.

So it's reasonable to say, there wasn't anything to suggest to NewDay Mr M was experiencing any obvious financial difficulties. I can see in Mr M's application he declared and annual income of around £42,500 and NewDay had calculated using external sources he had a strong net disposable income (NDI).

When the credit limit was increased to £2,150 in April 2019, in line with NewDay's low and grow approach, I can see it obtained updated information and data from the CRA's and carried out its own affordability modelling, based on the information that data provided them with. Again here, there was no obvious signs of financial stress and Mr M was managing his other financial commitments well including his credit card account with NewDay which was utilised to around 66% of the available limit, with no missed payments.

Mr M has suggested NewDay hadn't considered the sustainability of repaying a debt of around £2,150 and while I understand that point, NewDay's affordability modelling had shown while there was a reduced NDI of £226 per month, this was still sufficient to meet the payments needed on the credit card account. It's also fair to say here I wouldn't expect NewDay, when considering a credit limit increase of this degree, to undertake perhaps the same level of financial due diligence one might expect to see for say a much larger, long term committed loan. But even if it had, I'm satisfied based on the information I have seen and the affordability modelling NewDay conducted, it would have in all probability still concluded this level of debt was affordable and sustainable.

So on balance, I'm satisfied the financial checks NewDay carried out were reasonable and proportionate and I can't say the increase credit card limit was provided irresponsibly.

I've also considered whether NewDay acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr M will be disappointed with my decision, I won't be asking anymore of NewDay.

My final decision

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 M to accept or reject my decision before 23 September 2025.

Barry White
Ombudsman