

The complaint

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

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Miss I applied for a Fluid credit card in July 2022. In the application, Miss I said she was employed with an annual income of £24,000 that Fluid calculated left her with £1,733 a month after deductions. A credit search was completed that found Miss I had existing debts of £14,234 with monthly repayments of £453. No adverse credit, defaults or recent missed payments were found on Miss I's credit file. Fluid completed an affordability assessment and used an estimate of £439 a month for Miss I's regular living expenses. No deduction was made for Miss I's rent or housing costs. After applying its lending criteria, Fluid says Miss I had a disposable income of £840 a month. Fluid approved Miss I's application and issued a credit card with a £600 limit.

Miss I went on to use the credit card and Fluid increased the credit limit as follows:

Event	Date	Limit
App	Jul-22	£600
CLI1	Nov-22	£1,450
CLI2	Jul-23	£1,800
CLI3	Dec-23	£3,050
CLI4	Apr-24	£5,050

More recently, Miss I complained that Fluid lent irresponsibly and it issued a final response. Fluid said it had carried out the relevant lending checks before approving Miss I's application and then increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss I's complaint. They thought Fluid completed reasonable and proportionate checks before approving Miss I's application and increasing the credit limit and weren't persuaded it lent irresponsibly. Miss I asked to appeal and said the income figures used by Fluid were wrong, the outgoings figures used didn't reflect her circumstances and that she was unemployed before CLI4 was approved. As Miss I asked to appeal, her complaint has been passed to me to make a decision.

What I've provisionally 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 Miss I 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 Miss I's application above. I can see Miss I gave details of her income and a credit search was completed to get an idea of how much she owed to other businesses and how her commitments were handled. I can see Fluid found Miss I already owed £14,234 and was making monthly payments of £453 towards her existing debts. Fluid also carried out an affordability assessment by using an estimate for Miss I's general living expenses of £439 a month. But no allowance for Miss I's rent or housing costs was noted in the affordability assessment. Fluid ultimately reached the view Miss I had a disposable income of £840 a month.

I can see that before CLI1 was approved, Fluid used a rent estimate of £474 a month. I've applied that figure to the application affordability figures. Using a rent figure of £474 a month in addition to the other outgoings noted by Fluid in its lending assessment, Miss I would've had £366 remaining as a disposable income. Given the initial credit limit of £600 was reasonably low, I'm satisfied that a disposable income of £366 a month would've likely been sufficient to sustainably make repayments. Overall, I'm satisfied the level and nature of the checks completed by Fluid before approving Miss I's application were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Miss I's application was reasonable based on the information Fluid obtained. I haven't been persuaded Fluid lent irresponsibly when it approved Miss I's application.

The first credit limit increase was approved in November 2022. I can see that Fluid used a service provided by the credit reference agencies that monitors borrower's current account activity (CATO) to get a picture of Miss I's income which returned a figure of £1,549 a month. Estimates for Miss I's rent of £474 and general living expenses of £446 were used in Fluid's affordability assessment. A new credit search found Miss I owed £12,705 and that she was making monthly repayments totalling £474 a month. No new missed payments or other adverse credit was noted on Miss I's credit file. And I can see no overlimit or late fees were applied to Miss I's Fluid account before CLI1. Fluid reached the view Miss I had a disposable income of £206 a month after covering her existing outgoings and commitments. Overall, I'm satisfied that was a reasonable conclusion to reach following proportionate lending checks by Fluid. And I'm satisfied the decision to approve CLI1 was reasonable in light of the information Fluid obtained. As a result, I haven't been persuaded Fluid lent irresponsibly when it approved CLI1.

Fluid followed the same approach before approving CLI2. Again, a credit search took Miss I's monthly repayments into account. No missed payments or new adverse credit was noted.

A similar set of estimates were used for Miss I's outgoings. And I note Miss I's payments to her Fluid account had all been made on time and the credit limit wasn't exceeded. In addition, the credit limit increase of £350 was reasonably modest which meant the risk of causing financial harm was reduced. Fluid calculated Miss I's disposable income as £191 a month and I'm satisfied that would've been sufficient to sustainably afford repayments to an increase of £350 to the existing credit limit taking it to £1,800. Overall, I'm satisfied Fluid completed proportionate checks before approving CLI2 and its decision to do so was reasonable based on the information Fluid obtained.

For CLIs 3 and 4 Fluid used income figures of £3,012 and £3,243 respectively. But I think it's fair to note Miss I's other debts had increased to over £21,000 which feels at odds with an increase in income at that level. I also think it's fair to note that CLI3 increased the credit limit by £1,250 and CLI4 increased it by £2,000. Both were substantial credit limit increases. Given the increase in Miss I's existing debts since CLI2 was approved and the size of the credit limit increases, I think Fluid should've carried out better checks before approving CLI3 and CLI4. One option Fluid had was to review Miss I's bank statements for the preceding months to get a clearer picture of her circumstances. I recently asked Miss I for copies of her bank statements for three months before CLI3 and CLI4.

In the three months before CLI3 was approved Miss I earned an average of £2,628. Miss I's outgoings for items like her existing debts, insurances, mobile phone cost, breakdown cover and utilities came to an average of £1,370 a month. That means Miss I had around £1,250 remaining each month to cover her general living expenses and items like food and fuel. In my view, that figure would've been sufficient to sustainably afford repayments to the new credit limit of £3,050. Having considered Miss I's bank statements, I think it's more likely than not that Fluid would've still increased her credit limit if it had carried out more detailed lending checks.

I've reviewed Miss I's bank statements for the three months before CLI4 was approved. It's clear Miss I's circumstances had changed by this point and she was no longer receiving regular income. Miss I has confirmed she wasn't working at the time. The payments being made into Miss I's account came from transfers and cash rather than employed income. I found Miss I received an average of £900 a month into her bank account. Miss I's outgoings during the same period averaged £1,110. Miss I's bank statements show she wasn't earning £3,243 a month and didn't have a disposable income of £1,582 which is what Fluid's lending checks concluded. Miss I's bank statements show her outgoings were actually around £210 more than her income. In the circumstances, I think better lending checks by Fluid would've caused it to decline to approve CLI4, taking the limit to £5,050.

As I think the decision to approve CLI4 was unreasonable I intend to uphold Miss I's complaint and direct Fluid to refund all interest, fees and charges applied to balances over £3,050 from April 2024 to date.

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, I'm satisfied the redress I have directed below results in fair compensation for Miss I in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Miss I responded to confirm she is willing to settle in line with the provisional decision. We didn't receive a response from Fluid.

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.

As no new information has been provided and Miss I has confirmed her acceptance I see no reason to change the conclusions I reached in my provisional decision. I still think Miss I's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Miss I's complaint and direct NewDay Ltd trading as Fluid to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £3,050 after April 2024
- If the rework results in a credit balance, this should be refunded to Miss I along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information recorded after April 2024 regarding this account from Miss I's credit file.
- Or, if after the rework the outstanding balance still exceeds £3,050, NewDay should arrange an affordable repayment plan with Miss I for the remaining amount. Once Miss I has cleared the outstanding balance, any adverse information recorded after April 2024 in relation to the account should be removed from their credit file.

If NewDay has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Miss I a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 23 October 2025.

Marco Manente
Ombudsman