

The complaint

A company which I'll call 'L' complains that New Wave Capital Limited (trading as Capital on Tap) treated them unfairly when reviewing their credit facility.

The complaint is brought on L's behalf by their director, Mrs M.

What happened

In January 2020, L applied for a credit facility with New Wave which was approved with a £1,000 limit. New Wave then electronically sent Mrs M the facility agreement and related documents to sign. These were signed and accepted on the same day.

In June 2020, after reviewing L's account, New Wave increased the company's credit limit from £1,000 to £12,000.

In November 2020, L contacted New Wave to say that they were unable to meet that month's contractual repayment. New Wave agreed an arrangement to pay with L but said that the company wouldn't be able to access any further funding at that time.

L made its repayment in November and wanted to use the rest of the credit facility. However, New Wave explained it couldn't grant this whilst there was adverse information on L's credit file and agreed to review L's account again after they'd made the next couple of repayments. L made the December repayment, but not January, so their account remained suspended. L didn't think this was fair, so they made a complaint.

New Wave didn't uphold the complaint. It said that although the adverse credit markers had now been removed, L hadn't met their contractual repayments from January 2023 to March 2023. This meant L's account had gone three months in arrears, so New Wave had taken the decision to close L's account. It had then approached Mrs M for repayment under the personal guarantee.

L remained unhappy. They said they hadn't requested the increase in the limit from New Wave, and that it was unfair to suspend this increase limit after the company had used it. They also didn't think it was fair that this had been reflected on the company's credit file. So, they asked this service to look into their complaint.

Mrs M has also raised a complaint with this service that New Wave have treated her unfairly by pursuing her personally for L's debt. She also told us that her personal credit file has been impacted because L didn't meet their repayments. As that complaint relate to Mrs M personally, rather than L, it has been addressed under a separate complaint reference.

Our investigator didn't recommend the complaint be upheld. She thought that New Wave had made it clear that L's credit limit could change and had given the company notice of the increase. She also noted that L hadn't said they didn't want to go ahead with the increase either. The investigator also didn't think New Wave had done anything wrong when it had suspended L's limits because the company hadn't met its repayments and allowing L to use more funds simply increased their debt further. She also said that L had already used around £11,000 of the £12,000 limit so she wasn't persuaded the suspension had a significant impact. And that New Wave was required to report any adverse credit information on its customers' accounts, so it hadn't done anything wrong.

L didn't agree. They said that their trading had been affected because New Wave had withdrawn their facility without warning. And it was unreasonable to say this could be reinstated if they met the new few monthly repayments as they then had no funding to trade. So, they asked for an ombudsman to review their complaint and the 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.

I know Mrs M feels strongly about L's complaint, but I'm sorry to disappoint her as there's not much more that I can add to what our investigator has already said.

Mrs M says New Wave treated L unfairly firstly because it increased the company's limit from £1,000 to £12,000 without warning. But I'm not persuaded that's the case. I've seen the terms of L's agreement with New Wave which says that it will review their account from time to time and see if the level of lending is appropriate or if further credit can be provided – as it was in this case – so New Wave has acted in line with the agreement terms.

Furthermore, New Wave has also provided a copy of the email which was sent to Mrs M telling her that L's limit had been increased to £12,000 in June 2022. The email also says that if L wishes to keep the original limit that they can do so by just replying to the email. However, I haven't seen any evidence that Mrs M wanted to decline the limit increase on L's behalf, and I think it's likely they knew of the limit increase as the company had almost reached their £1,000 limit when the increase was applied, and they subsequently spent around £6,000 within a very short time of this increase. So, I'm not persuaded New Wave treated L unfairly here.

Mrs M then says that New Wave essentially caused L to close because they had no access to funds, but I don't think that's fair. I've looked at the agreement terms which say that New Wave can suspend credit limits if there is an increased risk that L was unable to make their repayment. Given that L told New Wave they couldn't make their November 2022 repayment, albeit that it agreed for this to be made a week later, I think the limit suspension was reasonable.

I've also seen that New Wave did review L's account with a view to reinstating their credit limit, however there were issues with their credit file so it couldn't be reinstated until this was resolved. And when the credit file issues were corrected, L then didn't make its contractual repayment so the review process started again. From November 2022, L didn't get to a point when the credit file issues had been resolved and the account wasn't in arrears, so I don't think New Wave acted unfairly here by not reinstating L's credit limit. I think it's also worth noting here that Mrs M told us that she'd only opened the account as a contingency fund for her cashflow. This implies that the New Wave facility wasn't L's only source of funding and therefore I'm not persuaded the removal of the remaining £1,000 credit limit caused the impact that Mrs M says it did.

I'm sorry to disappoint Mrs M as I know she feels strongly about L's complaint. But based on what I've seen, I don't think New Wave has acted unreasonably here so I won't be asking it to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 8 January 2024.

Jenny Lomax
Ombudsman