



The complaint

Mr W complains that NewDay Ltd trading as Aqua (Aqua) lent to him irresponsibly.

What happened

Mr W applied for a credit card from Aqua. This was approved on 1 May 2016 with a limit of £600. The limit was unchanged. In September 2018, Aqua sent Mr W a Notice of Default. The balance was £655.31. In June 2019 the account was repaid, and account closed.

Mr W complained that Aqua shouldn't have given him the card. He had a number of Payday loans and was struggling to pay his debts. Aqua should've been aware of this. He wanted the interest he'd paid refunded and his credit file amended to remove adverse entries.

Aqua said that Mr W's application showed he earned £17,500 per annum, with only one other debt of £1,400. There was one defaulted debt shown in their credit search – one for £1,500. They could see that after he was given the card, he took on more Payday loans. But at the time of his application, given Mr W's credit profile, they said they were correct in approving the card with a limit of £600.

Mr W brought his complaint to us. Our investigator thought that Aqua completed reasonable and proportionate checks when they approved Mr W's card. They'd considered his salary of £17,500 - and they saw he had one other debt of £1,400. He had no County Court Judgments (CCJs). There was one default – but that was 61 months before, so it was considered OK. Aqua didn't see that Mr W had any Payday loans.

Mr W asked that his complaint be reviewed by an ombudsman. He said he had a lot of other debts, including Payday loans at the time – so Aqua's searches must have shown these.

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.

Mr W told us that he had a lot of other debts and Payday loans when he applied for the card. He was struggling with his debts – and the new one with Aqua made things worse. He said he shouldn't have been given the card. He'd paid Aqua a lot of interest and his credit file had been marked – so he wanted things put right. He also said to us that he'd seen other similar complaints upheld.

All lenders have an obligation to lend money responsibly. We have to check whether Aqua acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

I agree that Mr W's application for a credit card – dated 1 May 2016 – looked OK. He stated his income to be £17,500 per annum with only one other debt of £1,400. His application said he was living with his parents. There was one default showing on Aqua's credit search – but this was 61 months before, so that was OK. So, on the face of it, Aqua made the right decision to issue Mr W with a card – with a modest limit of £600.

Mr W has told us that he had a lot of other debts at the time, including Payday loans. We asked him for his credit record, which he obtained. I looked at this. At the time of Mr W's application, it shows there was one such loan in operation, and payments were being made. I could see four other debts in the three months before May 2016 – and these were all shown as "settled" – this means paid off. So – it would look as though Mr W was meeting his commitments with other lenders – which was a good sign. I could also see that Mr W later took out about six other Payday loans – but after he applied for the Aqua card on 1 May 2016 – so, his problems with debts would seem to arise later. He told Aqua that he became unemployed in April 2017.

Mr W said to us that he thought other similar complaints he'd seen have been upheld. All I can say is that I've looked at his complaint in isolation and considered his own circumstances.

So - my decision is that Aqua were correct in giving Mr W the card in May 2016 – and acted reasonably and proportionately. So – I won't be asking them to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 June 2021.

Martin Lord
Ombudsman