

The complaint

Miss A complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved a credit card with a £250 limit.

What happened

Miss A applied for an Aqua credit card in July 2015. Miss A told Aqua she was employed with an income of £34,000 and lived with family. Miss A said she had unsecured debts of around £1,500. Aqua completed a credit search but says it didn't find any arrears, defaults or other adverse information. A credit card with a limit of £250 was approved.

The account fell into arrears and was ultimately closed with a default being recorded on Miss A's credit file in June 2018. The debt was later sold to a third party.

Last year, Miss A complained that Aqua had lent irresponsibly but it didn't agree. Miss A referred her complaint to this service and it was passed to an investigator. The investigator didn't uphold Miss A's complaint and said Aqua had completed proportionate checks before agreeing to lend. Miss A asked to appeal 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, the rules say Aqua had to complete reasonable and proportionate checks to ensure Miss A 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.

In this case, Aqua says it took information Miss A provided in the application along with details found on her credit file. Aqua has also pointed out its criteria allows some adverse credit, including defaults, and that it approved a low credit limit of £250.

I've looked at the credit file information Aqua obtained. Whilst I note Miss A has provided some final response letters issued by other lenders that confirm accounts were defaulted before she applied to Aqua, that information wasn't shown on the credit report it obtained in

July 2015. I'm satisfied Aqua didn't find the defaults Miss A has told us about when it completed its credit search as part of the application process.

I can see Miss A has provided a copy of her credit file from January 2020 and final responses from other businesses that say accounts were in default. But I can't see any defaults that predate the Aqua application from either of the businesses that issued final responses. And whilst there is an account with a default that predates Aqua's credit card, the entry itself wasn't registered until October 2016.

Miss A's application said she earned £34,000 and was living with family. Taking Miss A's income, personal circumstances and the information Aqua found on her credit file into account, I'm satisfied it did complete proportionate checks before agreeing to lend. I haven't been persuaded that its decision to approve a credit limit of £250 was irresponsible.

I'm sorry to disappoint Miss A but as I'm satisfied Aqua did carry out proportionate checks and haven't found it lent irresponsibly, I'm not upholding her complaint.

My final decision

My decision is that I don't uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 25 January 2022.

Marco Manente
Ombudsman