

The complaint

Mr B complains that NewDay Limited trading as Aqua lent irresponsibly when it approved a credit card he made and later increased the credit limit.

What happened

Mr B applied for an Aqua credit card in May 2021. In his application, Mr B said he was employed with an income of £28,000 a year. Mr B also said he was a tenant. Aqua carried out a credit file and found Mr B had a default for around £2,500 that was 18 months old. Aqua says it also found Mr B owed £100 to other lenders with no missed payments or other adverse credit found. Aqua says it applied its lending criteria to Mr B's application and approved a credit card with a limit of £900.

Aqua increased the credit limit to £1,900 in August 2021, £2,900 in December 2021, £4,150 in April 2022 and £4,750 in November 2022.

In June 2023, Mr B contacted Aqua and explained he was experiencing financial difficulties. Aqua agreed to suspend interest and set up a payment plan for £30 a month. Aqua's also confirmed it closed Mr B's credit card for new spending.

Earlier this year, representatives acting on Mr B's behalf complained that Aqua lent irresponsibly. Aqua issued a final response on 14 March 2024. Aqua didn't agree it had lent irresponsibly when approving Mr B's original application or increasing the credit limit in stages to £4,150. But Aqua agreed it shouldn't have increased the credit limit to £4,750 in November 2022 and upheld this part of Mr B's complaint. Aqua explained that even though it was upholding this part of Mr B's complaint, no refund was due as his credit card balance had never exceeding the previous limit of £4,150 approved in April 2022.

Mr B's representatives referred his complaint to this service and it was passed to an investigator. The investigator asked Mr B's representatives to provide bank statements covering the three months before each of Aqua's decisions to increase his credit limit. Mr B provided bank statements that covered the original application and first credit limit increase.

The investigator thought Aqua should've carried out better checks before approving the credit card and increasing the credit limit, like reviewing Mr B's bank statements. But the investigator thought Aqua would've still approved Mr B's application and increased his credit limit to £1,900 in August 2021 if it had reviewed his bank statements. The investigator explained that they weren't able to make a finding concerning the credit limit increases to £2,900 in December 2021 and £4,150 in August 2022 as Mr B hadn't supplied the relevant bank statements. And the investigator noted Aqua had already upheld Mr B's complaint about the final credit limit increase to £4,750 in December 2022.

Mr B's representatives asked to appeal so his 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 or increasing the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Mr B 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.

In this case, whilst Aqua has provided the basic application information Mr B submitted, I've not seen lots of evidence to show the affordability checks it carried out. Items like rent, food, transport and utilities and how much disposable income he had remaining each month haven't been provided. As a result, I'm unable to reach the conclusion Aqua carried out reasonable and proportionate checks. With that said, I can see that Aqua looked at Mr B's credit file and took details of how much he owed as well as information about his closed credit. The credit file information shows Mr B had a reasonably large default that was around 18 months old and owed around £100 to other lenders.

Based on the information I've seen, I think it would've been reasonable and proportionate for Aqua to have asked Mr B for further information, like his bank statements. Mr B has supplied bank statements that cover the period before his application in August 2021 so I've reviewed those. The bank statements show Mr B had regular outgoings that totalled around £2,570 against an average income of £4,195 in the three months before his application was made. That meant Mr B had around £1,200 available as disposable income once his commitments were met. In my view, that shows Mr B was able to sustainably afford repayments for a credit card with a limit of £900. I haven't been persuaded that Aqua's decision to approve the credit card with a limit of £900 was unreasonable or that it lent irresponsibly.

I've reviewed Mr B's bank statements for the three months before his credit limit was increased to £1,900 in August 2021. Mr B's bank statements show his outgoings remained at around the same level at an average of £2,450. Mr B's average Monthly income was around £3,450 meaning he had a disposable income of around £1,000. In my view, that was sufficient for Mr B to be able to sustainably afford repayments to a credit card with a limit of £1,900. I'm sorry to disappoint Mr B but I'm satisfied that even if Aqua had reviewed his bank statements it would've still most likely approved the credit limit increase to £1,900.

I can't say what Aqua would've found if it had carried out more comprehensive checks for the credit limit increases to £2,900 in December 2021 and £4,150 in April 2022 as Mr B hasn't provided bank statements covering those lending decisions. As I'm unable to say

what Aqua would've found, I'm unable to fairly say whether it lent irresponsibly or not. So I'm not going to make a finding on those credit limit increases.

Aqua has already upheld Mr B's complaint about the final credit limit increase so I don't need to comment further on that point.

I can see that when Mr B told Aqua he was experiencing financial difficulties it agreed to a reduced payment arrangement and suspended interest. In my view, Aqua's provided positive and sympathetic support, in line with what I'd expect to see.

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, for the reasons I've already given, I don't think Aqua lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I'm very sorry to disappoint Mr B but as I haven't been persuaded that Aqua lent irresponsibly when it approved his credit card application and later increased the credit limit I'm unable to uphold his complaint. As a result, I'm not telling Aqua to do anything else.

My final decision

My decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 November 2024.

Marco Manente
Ombudsman