

The complaint

Mr D complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved his credit card application.

What happened

Mr D applied for an Aqua credit card in April 2023. In his application, Mr D said he was employed with an income of £30,000. Aqua applied a housing cost of £573 a month and estimated outgoings of £504 for Mr D's living expenses. Aqua says it verified Mr D's income level via the credit reference agencies and also carried out a full credit search. Aqua found Mr D was making repayments of around £146 a month to his existing creditors. A default that was around five and a half years old was found on Mr D's credit file but no other adverse information was recorded and there was no evidence of missed payments in the previous six months.

Aqua says it applied its lending criteria and found Mr D had an estimated disposable income of around £525 a month. Aqua says that level of disposable income was sufficient for Mr D to be able to sustainably afford repayments for a new credit card with a credit limit of £600. Aqua approved Mr D's application and issued a credit card with a limit of £600 a month.

Earlier this year, Mr D's account fell into arrears. Representatives acting on Mr D's behalf went on to complaint to Aqua that it lent irresponsibly when it approved his credit card application. Aqua issued a final response on 15 May 2024 but didn't uphold Mr D's complaint. They thought Aqua had carried out reasonable and proportionate checks when looking at Mr D's application and didn't agree it lent irresponsibly. Mr D's representatives asked to appeal and pointed out Mr D had exceeded his existing credit limits on a number of occasions and used his credit cards to take cash advances before making his application to Aqua. As Mr D's representatives asked to appeal 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, the rules say Aqua had to complete reasonable and proportionate checks to ensure Mr D 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 can see that Aqua asked Mr D for information about his circumstances, including his income, in his application. Mr D confirmed he was working full time with an income of £30,000 that Aqua calculated as £1,787 a month after deductions. Aqua also says it verified the income level Mr D declared via the credit reference agencies. Aqua used a housing cost of £573 a month and applied an estimate based on ONS data for Mr D's regular outgoings of £573 a month. I'm satisfied those were reasonable figures for Aqua to use. Aqua also carried out a credit search and found Mr D was making repayments of £146 a month to his existing creditors. I'm satisfied that Aqua used realistic information and figures when considering Mr D's application and that it reasonably found he had an estimated disposable income of around £525 a month.

In response to the investigator, Mr D's representatives made the point that he'd used his existing credit cards to take cash advances and was over the credit limits on various occasions. I've looked at the information included on Mr D's full credit file that was submitted by his representatives. I can see that Mr D's credit card balances did exceed the reported limits at times. But I think it's fair to note the overwhelming majority of the times Mr D's balance is recorded as exceeding the credit limit it was only by a few pounds and the lenders didn't report any arrears or other negative information. And whilst I can see Mr D did take some cash advances from his existing credit cards, I didn't think the frequency or amounts he took were unreasonably high or would've indicated to Aqua he was struggling financially.

Overall, I'm satisfied Aqua did complete reasonable and proportionate checks when considering Mr D's credit card application. I think it's reasonable to note the credit limit of £600 provided was reasonably modest and I haven't seen anything that would've indicated to Aqua that Mr D wouldn't be able to maintain new credit card borrowing of that amount or repay the outstanding balance without causing financial harm. I'm sorry to disappoint Mr D but I haven't been persuaded there were grounds for Aqua to take a more comprehensive approach to his application or that it lent irresponsibly when it approved a credit card with a limit of £600. As a result, I haven't been persuaded to uphold Mr D's complaint.

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 D 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.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 January 2025.

Marco Manente
Ombudsman