

## **The complaint**

Mr S has complained that NewDay Ltd trading as Aquacard lent to him irresponsibly.

## **What happened**

In 2022, Aquacard gave Mr J a credit card with a limit of £900. It increased his credit limit in March 2023 to £1,500 and in July 2023 to £2,750.

Mr J considers that Aquacard did not properly check that he could afford the credit card or increased credit limits.

The investigator thought Aquacard carried out appropriate checks before giving Mr J a credit card and increasing his credit limit and that the decision it made to lend to him and increases his credit limit were fair.

Mr J did not accept what the investigators said.

## **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.

Aquacard had a duty to make sure it did not lend irresponsibly. In practice, that meant that it should carry out reasonable and proportionate checks to understand what Mr J could afford to repay before approving the credit cards and increasing the credit limits.

What is reasonable and proportionate will depend on the individual circumstances. For example, it might be reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

On the other hand, we might think a lender needs to do more if, for example, a borrower's income was low, the amount lent was high or if the information the lender had indicated some financial difficulty. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a borrower irresponsibly.

### Original lending decision

Aquacard has told us that it considered the information Mr J gave it about his income, carried out a credit check, estimated Mr J's costs and assessed what was affordable for him based on that. I think those were proportionate and reasonable checks bearing in mind the credit limit that was approved, what it knew about Mr J's income and how he'd managed his finances. While Mr J had a default on his credit file, it was 30 months ago and all his other credit was up to date.

I can't see that Aquacard had any reason to doubt the information Mr J had provided. And I consider the decision to agree a credit card with a limit of £900 was fair, bearing in mind the

reasonable conclusions it had reached about what was affordable for Mr J.

### First limit increase

Aquacard said before agreeing the credit limit increase it reviewed how Mr J was managing the account, carried out a credit check and looked at data about the turnover in Mr J's bank account.

I consider those were proportionate and fair checks bearing in mind the amount of the credit limit increase and what Aquacard knew about Mr J's overall circumstances.

The information available to Aquacard showed that an increased credit limit was affordable for Mr J. I can't see that it had any reason to doubt that, had any reason to think Mr J was not managing or to think that an increased credit limit was not sustainable. So I consider it was a reasonable decision by Aquacard to increase Mr J's credit limit to £1,500.

### Second limit increase

Aquacard carried out the same checks for the second credit limit increase as it did for the first. I can see that Mr J was using a higher proportion of the credit card balance than he was before. But there was no indication that he was not managing or keeping on top of the debt or his other debts, And his debt to income ratio was low. Overall, I consider that Aquacard carried out proportionate and fair checks in the circumstances.

Based on the information available to Aquacard, I consider it was reasonable for it to increase Mr J's credit limit to £2,750. The information it had supported this was affordable and sustainable.

### Conclusion

I was sorry to hear about Mr J's difficult circumstances. But he has asked me to consider whether Aquacard acted fairly and reasonably in giving him a credit card and increasing the credit limit. To make that decision I have taken into account the relevant rules (amongst other things). As I explained above, the type of checks required by a lender depends very much on the individual circumstances of each case. There is no obligation for a lender to verify income and/or expenditure in every application.

In Mr J's case, I am satisfied that the type of checks carried out by Aquacard were reasonable and proportionate in the individual circumstances here. And the decisions it made to lend to Mr J and to increase his credit limit were reasonable based on the information it had. There was no indication that Mr J was experiencing financial difficulty.

Overall, I do not consider that Aquacard treated Mr J unfairly when it gave him a credit card or increased his credit limit. If he is experiencing financial difficulty, he should speak to Aquacard in the first instance.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 April 2025.

Ken Rose

**Ombudsman**