

The complaint

Miss W complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Miss W applied for an Aqua credit card in August 2021. In her application, Miss W gave an income of £19,000 that Aqua calculated left her with £1,433 each month after deductions were made. Aqua used housing costs of £204 and an estimate of Miss W's living expenses of £427 a month. Aqua carried out a credit search and found Miss W didn't owe anything to other lenders so wasn't making any monthly repayments. No missed payments, defaults or other adverse credit was found on Miss W's credit file. Aqua says it calculated that Miss W had an estimated disposable income of £801 a month after meeting her regular outgoings and approved a credit card with a limit of £1,200.

The credit limit on Miss W's credit card was increased to £2,200 in November 2021, £3,200 in April 2022 and £3,950 in November 2022. Aqua says that before each credit limit increase it checked Miss W's credit file and account history before applying its lending criteria.

Earlier this year, representatives acting on Miss W's behalf complained that Aqua lent irresponsibly and it issued a final response on 11 July 2024. Aqua said it had carried out the relevant lending checks before approving Miss W's credit card and increasing the credit limit and didn't agree it lent irresponsibly. Aqua didn't uphold Miss W's complaint.

An investigator at this service looked at Miss W's complaint. They thought Aqua had carried out reasonable and proportionate checks before deciding to lend or increase Miss W's credit limit. The investigator wasn't persuaded that Aqua had lent irresponsibly and didn't uphold Miss W's complaint. Miss W's representatives 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 or increase the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Miss W 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.

When Miss W applied for the credit card she provided information about her circumstances, including an income of £19,000 a year. Aqua calculated Miss W had around £1,433 available each month after deductions. Aqua says it also verified Miss W's declared income level via the credit reference agencies. I can see Aqua applied an estimate of Miss W's outgoings based on national statistics that came to £427 and housing costs of £204 a month. Aqua also checked Miss W's credit file and found she didn't owe anything. No missed payments or adverse credit was found. Overall, Aqua found Miss W had an estimated disposable income of £801 a month after meeting her regular outgoings and approved a credit card with a limit of £1,200.

In my view, the level and nature of the checks Aqua carried out were reasonable and proportionate to the credit card application she made. I'm satisfied Aqua used the credit reference agencies to get a picture of Miss W's income and outgoings. No other debts were found and no adverse credit was noted either. In addition, I'm satisfied Aqua used reasonable figures when estimating Miss W's outgoings. The information Aqua obtained indicated Miss W's disposable income was £801 a month and I'm satisfied that was sufficient for her to sustainably afford repayments to a new credit card with a limit of £1,200. I'm sorry to disappoint Miss W but I haven't been persuaded Aqua lent irresponsibly.

I've reviewed the information Aqua used when considering whether to increase the credit limit in stages to £3,950. Each time Aqua increased the credit limit it checked Miss W's credit file. I think it's fair to say Miss W's other debts remained low throughout the period Aqua increased the credit limit. In November 2021 when the credit limit was increased to £2,200, Miss W owed £61 to other creditors. In April 2022, when the credit limit was increased to £3,200 Miss W owed around £1,000 to other creditors. And by November 2022, Miss W's other unsecured debts had reduced to £3. So whilst Aqua was increasing the credit limit, Miss W's other debts weren't going up overall. No adverse credit information was recorded on Miss W's credit file. In addition, there were no missed payments or overlimit fees applied to Miss W's credit card. And I note that Miss W regularly made payments well in excess of the minimum payment due each month. The outstanding balance was generally considerably below the credit limit with the highest statement balance being £1,041 in November 2022 when the credit limit was £3,200.

On each occasion, before increasing the credit limit, Aqua estimated Miss W's disposable income and found it was more than enough to sustainably afford repayments for the increased borrowing. Having considered all the information Aqua had available each time the credit limit was increased, I'm satisfied it carried out reasonable and proportionate checks before deciding to lend. I'm sorry to disappoint Miss W but I'm satisfied that Aqua lent responsibly based on the information it had available when increasing the credit limit and haven't been persuaded to uphold her 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 Miss W or otherwise treated her 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 Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 27 January 2025.

Marco Manente
Ombudsman