

## The complaint

Mr Z complains NewDay Ltd trading as Aqua irresponsibly lent to him.

Mr Z is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr Z himself.

## What happened

Mr Z was approved for an Aqua credit card, in April 2019 with a £900 credit limit. I have detailed the credit limit changes below:

July 2019	£900 to £2,150
January 2020	£2,150 to £4,150

Mr Z says that Aqua irresponsibly lent to him. Mr Z made a complaint to Aqua, who did not uphold his complaint. Mr Z brought his complaint to our service.

Our investigator did not uphold Mr Z's complaint. She said Aqua's checks were proportionate, and that they made fair lending decisions.

Mr Z asked for an ombudsman to review his complaint. He made a number of points. In summary, he said that at each lending decision he had accounts with other lenders which demonstrated a reliance on additional credit, which led to him struggling to manage his debt adequately. Mr Z said that the credit limit increase from £2,150 to £4,150 in a short span of time was excessive, and a more detailed assessment should have been completed by Aqua. Mr Z said that the lack of the verified income and deeper analysis of his financial behaviour undermined the reliability of the affordability assessment.

## 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 approve or increase the credit available to Mr Z, Aqua needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Aqua have done and whether I'm persuaded these checks were proportionate.

### *Acceptance for the Aqua credit card*

I've looked at what checks Aqua said they did when initially approving Mr Z's application. I'll address the credit limit increases later on. Aqua said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr Z had provided before approving his application.

The CRA reported that Mr Z had no defaults or County Court Judgements (CCJ's). The information showed that Mr Z had declared a gross annual income of £28,400. Mr Z was not showing as being in arrears on any of his accounts, and the checks showed he hadn't been in arrears on any accounts in the six months prior to the checks.

Mr Z was showing as having a debt to income ratio of 6.1% which would have equated to around £1,732.40. Although Mr Z has mentioned about his existing accounts with other lenders, Aqua were able to obtain information from the CRA they used that he was paying £105 a month towards these accounts, which was a low proportion of the £1,741.70 a month net income he was likely earning on a £28,400 gross annual income.

So I'm persuaded that the checks Aqua completed here were proportionate, and Aqua made a fair lending decision to approve Mr Z's application, and to provide him with a £900 credit limit.

#### *July 2019 credit limit increase - £900 to £2,150*

I've looked at what checks Aqua said they did when increasing the credit limit. Mr Z's total active unsecured debt was showing as being slightly higher than before at £2,119. But Aqua had information from another CRA which was a different CRA than they used for the account opening checks. The other CRA showed that Mr Z had a public record such as a CCJ.

It may help to explain here that, while information like a CCJ on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Aqua made to see if they made a fair lending decision.

I can see that the last CCJ at the time of the checks was registered 58 months prior to when Aqua completed their checks for this lending decision. So the adverse information wasn't recent. At the point of the checks for this lending decision, Mr Z had no arrears on his active accounts.

Aqua would have also been able to see how Mr Z used his account since it had been opened, and they would have seen that Mr Z incurred no overlimit fees, and no cash advance fees. But he did incur a late payment fee.

It appears the late payment was an oversight. I say this as this was the first time Mr Z was required to make a repayment to his account since it had been opened. He then managed to make at least his minimum repayment on time each month after this point prior to the credit limit increase.

I've considered what Mr Z has said about the lack of verification for his income. But Aqua used Current Account Turnover (CATO) data from a CRA to verify the credits to his bank account. Using CATO data is an acceptable industry measure of income, so I'm not persuaded that Aqua needed to complete further checks here.

Aqua also used a mixture of information from a CRA and modelling to estimate his expenses, and they calculated that Mr Z would have the affordability to meet the increased repayments for a higher credit limit.

I've considered what Mr Z has said about a reliance on credit, but the data doesn't suggest this. I say this as the data showed that Mr Z was utilising 58% of his credit card limits at the time the checks were completed, so he wasn't close to utilising all of the available credit. His Aqua account balance was under his credit limit by over £300.

So I'm persuaded that the checks Aqua made here were proportionate, and they made a fair lending decision to increase Mr Z's credit limit.

*January 2020 credit limit increase - £2,150 to £4,150*

I've looked at what checks Aqua said they did when increasing the credit limit here. Although Mr Z's credit limit nearly doubled as a result of this increase, and it was within a short period of time since his last credit limit increase, the data from a CRA shows that Mr Z's active unsecured debt had fallen since the last lending decision to £1,561, which could suggest that not only was Mr Z able to service his existing debt, but to also decrease the amount of debt he had.

Mr Z had no late, overlimit or cash advance fees charged to his account since the last lending decision, and he wasn't in arrears on any of his active accounts. Mr Z sometimes repaid more than his minimum required payments on the account.

Again Mr Z does not appear to be reliant on credit at the time Aqua completed their checks for this lending decision. I say this as not only has his unsecured debt balances reduced, but he was showing as utilising only 39% of his available credit card limits, which shows he wasn't using the majority of the credit available to him.

Mr Z had used around 25% of the credit limit available on his Aqua account when they completed the checks for this lending decision, so it didn't appear that his existing financial commitments (which Aqua were able to see his monthly credit commitments from a CRA) were causing him financial difficulty, and I wouldn't expect him to be able to repay more than his minimum repayment if he was in financial difficulty.

In the three months prior to Aqua completing their checks for this lending decision, Mr Z hadn't used his Aqua card, and he reduced the outstanding balance. So based on all of these factors, I'm not persuaded that it would have been proportionate for Aqua to complete any further checks here. I'm satisfied that Aqua made a fair lending decision to increase the credit limit to £4,150 as the data indicated the repayments for Mr Z would be affordable and sustainable for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Aqua lent irresponsibly to Mr Z or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 21 March 2025.

Gregory Sloanes  
**Ombudsman**