

## The complaint

Mrs B complains NewDay Ltd trading as Aqua irresponsibly lent to her.

## What happened

Mrs B was approved for an Aqua credit card in January 2018 with a £450 credit limit. I have detailed the credit limit changes below:

November 2018	£450 to £1,100
April 2019	£1,100 to £1,850
August 2019	£1,850 to £3,850
January 2020	£3,850 to £5,600
May 2021	£5,600 to £6,450
September 2021	£6,450 to £7,700

Mrs B says that Aqua irresponsibly lent to her. Mrs B made a complaint to Aqua, who partially upheld her complaint. Aqua said they would uphold her complaint from the credit limit increase given on 20 November 2018. They said that as there was still a balance outstanding on her account she would need to contact them once the balance had been repaid in full, and they would arrange for any adverse information reported on her credit file to be removed from the £1,100 credit limit increase.

Our investigator said that Aqua made a fair offer to resolve the complaint. Mrs B asked for an ombudsman to review her complaint. She made a number of points. In summary, she disputed the amount of interest refunded to her account from Aqua was correct. She believed that Aqua had calculated the proportion of interest to be refunded from over £1,100, not over £450. She felt the initial lending decision was irresponsible as she was using her overdraft, and she said it should have been clearly visible to Aqua on her credit file that she had no money available.

## 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.

Mrs B has made a number of points to this service, and I've considered and read everything she's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of her complaint in deciding what's fair and reasonable here.

Before agreeing to approve or increase the credit available to Mrs B, Aqua needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 card - initial credit limit (£450)*

I've looked at what checks Aqua said they did when initially approving Mrs B'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 Mrs B had provided before approving her application.

The information showed that Mrs B had declared a gross annual income of £16,900. The information showed she had a debt to annual income ratio of 3.76%, which would have equated to around £635.44. Aqua also obtained information from the CRA, who reported that Mrs B was paying £17 a month for her credit commitments.

I've considered what Mrs B has said about the credit file should have shown her having £0 available. As it happens, the checks were completed on 17 January 2018, so if Aqua could see her balance in real time, it would show that Mrs B was in credit that day (based on the statements she forwarded to our service), and she didn't enter an overdraft that day. But the reality is an overdraft provider would tend to only report the balance to a CRA once a month, and the information could take 4-6 weeks to update on her credit file.

The information from the CRA showed there were no defaults or County Court Judgements (CCJ's) registered on her credit file. She was showing as having no active payday loans. And none of her accounts were in arrears. The CRA reported to Aqua that Mrs B had no accounts in arrears in the six months prior to the checks being completed, so it wouldn't have been apparent to Aqua that Mrs B had any financial difficulty prior to the account being approved.

The credit limit would equate to less than 3% of Mrs B's declared gross annual income. So even if this was combined with the existing unsecured debt on her credit file, it wouldn't appear that the new £450 Aqua credit limit would leave her overindebted.

So I'm persuaded that the checks Aqua completed here were proportionate, and no further checks would have been proportionate, such as requesting her bank statements. I'm persuaded that Aqua made a fair lending decision to approve the initial credit limit of £450.

### *Further lending decisions*

Aqua have upheld Mrs B's complaint from 20 November 2018 as confirmed by their final response letter. So I have not reviewed the further lending decisions. Instead, I've focused on whether the redress was fair.

Aqua have settled the complaint in line with how I would have asked them to settle the complaint if they didn't uphold the complaint, and if I would've asked them to settle it from 20 November 2018.

I've noted the strength of feeling from Mrs B that she doesn't think the interest refund is correct, and that Aqua have only refunded proportionate interest over £1,100 and not over £450.

But Aqua confirmed to our service when they sent their business file to us that "*we have refunded all proportionate interest and fees (not already refunded) that have been applied to balances over £450 after, 20 November 2018*". They also confirmed to us on 20 February 2025 that "*I can confirm that it is calculated (from November) 2018 on balances above £450*".

While our service doesn't offer an auditing service to reconcile the proportion of interest on each statement, so this is not something I'm able to do for Mrs B, I would like to explain to her some of the reasons why the interest refund may seem lower than what she may have been expecting.

One of the reasons is because the refund of interest is only on interest charged on balances above £450, and not from all of the interest charged on her balance after 20 November 2018. This is because the £450 credit limit was deemed affordable for her at the time it was given to her, therefore it would not be proportionate for Aqua to refund all of the interest they charged on the account, even when the credit limit was increased.

Another reason the figure may appear lower than what Mrs B expected is because the credit limits increased over a number of years, so the higher latest credit limits weren't in force for the full time she had her account. For example, the last credit limit increase was nearly three years after the account was opened, so the £7,700 credit limit was applied to the account in 2021.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress Aqua processed results in fair compensation for Mrs B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 28 March 2025.

Gregory Sloanes  
**Ombudsman**