

## **The complaint**

Mr A complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved his credit card application and later increased the credit limit.

## **What happened**

Mr A applied for a credit card with Aqua in September 2018. In his application, Mr A said he was employed with an income of £35,000 that Aqua calculated left him with £2,036 a month after deductions. Aqua carried out a credit search and found Mr A had two defaults, the newest of which was almost five years old at the point of application. Aqua found Mr A owed around £2,000 to other lenders and was making monthly repayments of around £116. Aqua applied estimates for Mr A's rent of £208 and general living costs of £451. Aqua applied its lending criteria and says that after Mr A met his existing outgoings, he had an estimated disposable income of £1,256. Aqua approved Mr A's application and issued a credit card with a limit of £1,200.

Aqua increased the credit limit to £1,950 in February 2019, £3,950 in June 2019, £5,450 in May 2021 and £6,950 in September 2021. Mr A's highest balance was £3,832.03 in August 2021. All Mr A's payments were made on time and no late fees or overlimit charges were applied to Mr A's account by Aqua. Mr A repaid the outstanding balance in full in February 2022.

Last year, representatives acting on Mr A's behalf complained Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before approving Mr A's application and later increasing the credit limit. Aqua said all borrowing was approved in line with its lending criteria and didn't agree it lend irresponsibly to Mr A.

An investigator at this service looked at Mr A's complaint. They thought Aqua had carried out reasonable and proportionate lending checks before approving Mr A's application and later increasing the credit limit. The investigator noted Mr A's balance had never exceeded the second credit limit of £3,950 and had been repaid without any clear signs he was struggling financially. Mr A's representatives asked to appeal and forwarded bank statements from the period of lending by Aqua. As Mr A'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 or increasing the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Mr A 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 Mr A first applied for his credit card he provided some details about his circumstances, including an income of £35,000 or £2,036 a month. Aqua also carried out a credit search to get a picture of Mr A's finances at the time. Aqua found Mr A had two defaults, but I think it's reasonable to note they were almost five years old at that point and there was no evidence of recent missed payments. Mr A owed around £2,000 to other lenders and was making monthly repayments of £116. Aqua also used estimates of Mr A's regular outgoings for rent and cost of living that came to £659 a month, an approach it's allowed to take. Deducting Mr A's outgoings from his income, Aqua says he had an estimated disposable income of £1,256.

I've looked at Mr A's application information along with the data Aqua used when considering his application. In my view, Aqua carried out reasonable and proportionate lending checks before approving Mr A's application with a limit of £1,200. And I'm satisfied the decision to approve Mr A's application was reasonable based on the information Aqua found. I haven't seen anything that would've indicated Mr A was struggling financially or didn't have capacity to cover repayments to a new credit card with a limit of £1,200. I'm sorry to disappoint Mr A but I haven't been persuaded Aqua lent irresponsibly when it approved his application.

Aqua increased the credit limit to £1,950 in February 2019. Before doing that, Aqua looked at Mr A's payments to date. I note all had been made on time and that Mr A's highest outstanding balance at that point was £649 in December 2018, around half the credit limit of £1,200. Mr A reduced the outstanding balance to £99 in January 2019, the month before the credit limit increase. To me, that indicates Mr A was managing the account well. Aqua also checked Mr A's credit file again and found his other debts had remained at around the same level. There were no new missed payments or other adverse information recorded. Aqua used the credit reference agency to check Mr A's current account turnover and assessed his income as £2,468. Aqua also applied revised figures for Mr A's outgoings. After applying its lending criteria, Aqua says Mr A had an estimated disposable income of £1,722.

In my view, by checking Mr A's existing payments and account use, looking at his credit file and estimating his disposable income Aqua carried out reasonable and proportionate checks. The data Aqua obtained didn't show any signs Mr A's circumstances had changed or that he was borrowing at an unsustainable rate. And Mr A had administered his Aqua card well up to that point. In my view, the checks Aqua carried out were reasonable and proportionate to the credit limit increase to £1,950 in February 2019. And I'm satisfied the decision to approve the credit limit increase was reasonable based on the information Aqua obtained. As a result, I haven't been persuaded that Aqua lent irresponsibly when it increased the credit limit to £1,950 in February 2019.

The credit limit was increased to £3,950 in June 2019. I note all payments had been made on time and no overlimit or late fees were applied by Aqua. Mr A's other debts remained at around the same level with an outstanding balance of around £2,450 and monthly repayments of £104. No new adverse credit or missed payments were found on Mr A's credit

file. Aqua also used the credit reference agency to verify Mr A's current account turnover, with an income of £2,772 being recorded. Again, Aqua applied cost of living and rent estimates before reaching an estimated disposable income of £1,969 a month. I also think it's reasonable to note that Mr A's highest outstanding balance in the months since his credit limit was increased to £1,950 was £259.68 in May 2019. In my view, that shows Mr A was managing his finances without signs of struggling.

I'm satisfied that Aqua carried out the relevant lending checks before approving Mr A's credit limit increase to £3,950. I haven't seen anything in the information available to Aqua that would've shown it Mr A was struggling financially. And I'm satisfied the information available to Aqua showed he had sufficient disposable income to sustainably make repayments to an increased credit limit of £3,950. I'm sorry to disappoint Mr A but I haven't been persuaded Aqua needed to obtain further evidence before increasing the credit limit or that it lent irresponsibly by doing so.

As noted above, Mr A's credit limit was increased to £5,450 in May 2021 and £6,950 in September 2021. I don't need to make a finding on those credit limit increases as Mr A's outstanding balance never exceeded the June 2019 £3,950 credit limit approved by Aqua. Even if I were to agree it wasn't reasonable for Aqua to increase Mr A's credit limit to that level, there would be no refund due. As a result, I'm not going to comment further on the final two credit limit increases on Mr A's Aqua credit card.

I can see Mr A's representatives forwarded copies of his bank statements covering the period of lending. But, for the reasons I've noted above, I haven't been persuaded there were grounds for Aqua to have asked Mr A for additional evidence, like his bank statements, before deciding whether to lend. I'm satisfied Aqua carried out reasonable and proportionate checks and that its decision to lend to Mr A was reasonable in light of the information it found.

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 A 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 A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 April 2025.

Marco Manente  
**Ombudsman**