

The complaint

Mr W 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 W applied for a credit card with Aqua in January 2019. In his application, Mr W said he was employed with an income of £45,000 that Aqua calculated left him with £2,480 a month after deductions. Aqua applied estimated outgoings for Mr W's rent of £230 and general living expenses of £470 a month to the application. Aqua also carried out a credit search, finding no evidence of recent missed payments, defaults or other adverse credit. Aqua found Mr W owed £29,100 to other lenders and was making monthly repayments of around £1,112. Aqua applied its lending criteria and calculated Mr W had an estimated disposable income of £667 a month after meeting his existing outgoings. Aqua approved a credit card with a £300 limit.

In August 2019, Aqua approved a credit limit increase to £1,550. Before taking that step, Aqua looked at Mr W's existing repayments and credit file. Mr W's credit card payments had been made on time and no charges were applied by Aqua. Mr W's credit file showed his unsecured debt levels had increased from £29,100 to £32,050. Mr W's monthly credit payments were now £1,841. A recent missed payment was found on Mr W's credit file. Aqua used a service provided by the credit reference agency to look at Mr W's current account turnover and says he had a monthly income of £5,342 in August 2019. Aqua also applied a new general living cost of £679 a month but no figure was used for Mr W's housing costs. Aqua says Mr W had an estimated disposable income of £2,828 after meeting his existing outgoings. Aqua approved a credit limit increase to £1,550.

Mr W used the credit card and repaid the outstanding balance in November 2022.

Last year, representatives acting on Mr W's behalf complained that Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before approving Mr W's application and later increasing the credit limit and didn't agree it lent irresponsibly.

An investigator looked at Mr W's complaint. They thought Aqua had carried out reasonable and proportionate checks and weren't persuaded it lent irresponsibly to Mr W. The investigator didn't uphold Mr W's complaint. Mr W's representatives asked to appeal and said his credit file showed he'd taken 20 cash advances and five new loans in the six months before entering the credit agreement. They also said that Mr W had 21 cash advances and five missed payments in the months before the credit limit increase. As Mr W's representatives asked to appeal, Mr W's case 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 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 Mr W first applied Aqua looked at his credit file. There was no evidence of recent missed payments, defaults or other adverse credit which indicates Mr W was managing his finances well. I can see Mr W had a reasonably high level of outstanding credit at £29,100 with monthly repayments of £1,112 but I think it's fair to note his income was sufficient to support repayments. Aqua used estimates for Mr W's rent and general living expenses totalling £700, an approach it's allowed to take. After applying its lending criteria, Aqua says Mr W had an estimated disposable income of £667 a month.

I think it's reasonable to note the initial credit limit was fairly low at £300 which meant the risk of Aqua causing financial harm to Mr W was lower. In my view, the level and nature of checks completed by Aqua were reasonable and proportionate to the type of credit and limit of £300 it went on to approve. And I'm satisfied the decision to approve the application with a credit limit of £300 was reasonable based on the information Aqua obtained. I'm sorry to disappoint Mr W but I haven't been persuaded Aqua lent irresponsibly.

I recently asked our investigator to contact Mr W's representatives to request copies of his bank statements for the months preceding the credit limit increase to £1,550 in August 2019 and a full copy of his credit file. I wanted to get a clearer picture of Mr W's circumstances at the time as I felt some of the information Aqua relied on was potentially inaccurate. For instance, Aqua used CATO to verify Mr W's current account turnover and says he was earning £5,342 a month. But when Mr W applied in January 2019 he confirmed a monthly income figure of £2,480, less than half. In addition, Mr W's debts had increased slightly in the same period and his monthly repayments had also gone up which appears at odds with an income increase of that nature. However, despite giving over a month to respond, we didn't receive Mr W's bank statements or credit file. So I've relied on the available evidence to reach my decision.

The credit file data Aqua used shows Mr W had a missed payment recorded around March 2019 but that it was brought up to date. No other new adverse information or defaults were recorded and there were no pay day loans. After applying its lending criteria, Aqua calculated Mr W had an estimated disposable income of £2,828. And the increase in the credit limit meant Mr W's minimum payment increased to around £80 a month. In my view, while I think the income figure Aqua used is likely to be higher than the reality, the information available doesn't support the claim it lent irresponsibly. In the absence of further evidence from Mr W and having considered all the available information, on balance, I'm satisfied Aqua's checks were reasonable. And I think the available information was sufficient

for Aqua to approve a credit limit increase to £1,550 in August 2019. I'm sorry to disappoint Mr W but I haven't been persuaded Aqua lent irresponsibly.

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 W 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 June 2025.

Marco Manente
Ombudsman