

The complaint

Miss K complains that NewDay Ltd trading as Aqua irresponsibly lent her money on a credit card.

What happened

Miss K took out an Aqua credit card in July 2020, with an initial credit limit of £250. In July 2021, Aqua increased the credit limit to £1,250.

In 2024, with the help of a representative, Miss K complained that the initial lending and limit increase had been irresponsible.

Miss K says that she had a poor credit history, with defaults and County Court judgments (CCJs). She was a single mother with relatively low earnings. She had not been financially stable for many years. In addition, at the time of the limit increase her income had dropped because her child benefit had come to an end. She said the lending was unaffordable for her. She said that at the time of the limit increase she had missed payments on other credit, made payments to this card late, taken out cash advances and was up to the existing limit. She said she was in persistent debt.

Aqua said that when Miss K applied for the card she said she had an annual income of £21,500. It was satisfied the initial lending was affordable. Aqua said that when it increased the limit it checked affordability again, and found that there wasn't anything on her credit file to suggest the increase wouldn't be sustainable for her. It didn't agree it had lent irresponsibly.

Our investigator didn't recommend upholding the complaint, so Miss K asked for it to be reviewed by an ombudsman.

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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Miss K's complaint. Aqua had a duty to make sure that it didn't lend irresponsibly. In practice, this means that it had to carry out proportionate checks before lending in order to understand whether Miss K could afford to repay any credit it provided to her. But there was no set list of checks it had to do.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. In the case of a credit card, sustainable lending

doesn't just mean ability to afford the minimum monthly payments – it means ability to be able to afford to repay the entire borrowing within a reasonable time.

At the time of the initial lending, Miss K declared that her income was £21,500 and Aqua took her monthly net income to be £1,390 – which it verified by checking the amount coming into her current account via credit reference agency checks. It then estimated her expenditure, using modelled data for households similar to hers. This approach to assessing expenditure is allowed by the lending rules. Aqua estimated Miss K's housing costs at around £225 per month, and other expenditure as around £425.

Aqua also checked Miss K's credit file. This showed that her regular credit commitments were £180 per month. She had three CCJs, but none more recently than 18 months ago, and while there were historic defaults on her account the most recent was almost four years previously. There were no missed payments in recent months.

I'm satisfied that the checks Aqua carried out at this time were proportionate. Miss K was borrowing under a credit card, but with a low credit limit. Aqua lends to customers with less than perfect credit records. Miss K had had problems in the past, but there were no more recent concerns about her credit history which ought to have led Aqua to conclude that even a small credit limit wouldn't have been sustainable for her. And, based on the financial information it obtained, I'm satisfied that the lending was affordable. I don't therefore think that this was an irresponsible lending decision.

I've then gone on to think about the later credit increase. This was a significant increase in the amount of credit available to her. By this time Miss K had had the card for a year, so I would expect Aqua to have taken into account how she had managed it to date and what it knew about her from the existing relationship, as well as wider checks of affordability and creditworthiness.

Aqua didn't ask Miss K for further financial information. Instead it assessed her income via a credit reference agency check, looking at income received into her bank account. And it took the same approach to estimating her housing and other costs as it had taken at the time of the original application.

I'm not persuaded that the checks Aqua carried out into affordability were proportionate. The estimate of income from current account turnover suggested that her monthly income was over £13,000. This figure was clearly implausible and ought to have led Aqua to question it. I don't think it was appropriate to rely on it when considering whether a credit limit increase was affordable.

I've therefore thought about what Aqua would have found if it had carried out further checks to find out what Miss K's income and expenditure actually were.

Our investigator obtained Miss K's bank statements for the three months leading up to the credit limit increase. These show an average monthly income of around £1,480 and average monthly expenditure on living expenses and credit commitments of around £925. I'm satisfied that if Aqua had obtained more detailed affordability information from Miss K, it would still have reasonably concluded that the credit limit increase was affordable.

I've also thought about whether the limit increase was sustainable for Miss K. Again, I'm satisfied that it was reasonable for Aqua to conclude that it was. In the year since she had had the card, Miss K had made a couple of payments late, but had not missed any payments. The balance had gone up and down, and by the time of the limit increase it had been dropping month by month as Miss K was making payments significantly larger than the minimum, and more than she was spending on the card. She was not in persistent debt in

the sense that the balance was not reducing or that she was only making the minimum payment over a sustained period. And in respect of her credit file more widely, there were no new CCJs or other matters of concern.

Taking everything into account, I don't uphold the complaint about the credit limit increase either. Although Aqua ought to have carried out further checks at the time, if it had done so I'm satisfied it would still fairly have been able to conclude that the increase was affordable and sustainable for Miss K, and I don't think this was irresponsible lending.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 21 April 2025.

Simon Pugh
Ombudsman