

The complaint

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

What happened

Mr R was approved for an Aqua credit card, in April 2021 with a £450 credit limit. I have detailed the credit limit changes below:

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|--------------|------------------|
| August 2021 | £450 to £1,200 |
| January 2022 | £1,200 to £1,700 |
| May 2022 | £1,700 to £2,700 |

Mr R says that Aqua irresponsibly lent to him. Mr R made a complaint to Aqua, who partially upheld his complaint from May 2022. Mr R brought his complaint to our service.

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

Mr R asked for an ombudsman to review his complaint. He said that Aqua had upheld the last lending decision, so the balance should reflect that also, and he said he assumed Aqua completed the same checks for each lending decision, so he questioned why one lending decision was upheld, but not the others.

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 R, 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 R'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 R had provided before approving his application.

The information showed that Mr R had declared a gross annual income of £26,000. Mr R 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.

But Mr R had defaulted on at least one credit agreement previously, with the last default showing as being registered 61 months earlier. The CRA also showed Mr R also had public records, such as County Court Judgements (CCJ's), with the last being registered 42 months earlier.

It may help to explain here that, while information like a CCJ or a default 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 Aqua's other checks showed to see if they made a fair lending decision here.

Aqua obtained information from a CRA regarding how much Mr R was paying on a monthly basis for his existing credit commitments. The £450 Aqua credit limit would have been less than 2% of Mr R's declared 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 R's application, and to provide him with a £450 credit limit.

August 2021 credit limit increase - £450 to £1,200

I've looked at what checks Aqua said they did when increasing the credit limit. Mr R's total active unsecured debt was showing as being slightly higher than before at £1,549. But this would have equated to less than 6% of Mr R's originally declared gross annual income.

Aqua would have also been able to see how Mr R used his account since it had been opened, and they would have seen that Mr R incurred no overlimit or late fees. They would also have been able to see that Mr R was not in any arrears on his external accounts since his Aqua account had been opened.

Mr R had made higher repayments to his Aqua account than the minimum required repayment, which I wouldn't expect him to be able to make higher repayments if he was struggling financially at the time.

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

January 2022 credit limit increase - £1,200 to £1,700

I've looked at what checks Aqua said they did when increasing the credit limit here. Mr R's active unsecured debt had increased substantially prior to this credit limit increase. At the time of the checks it was showing as being £26,863.

But the checks showed that this was largely a result of non-revolving credit (such as a personal loan or hire purchase). So Aqua were aware that a fixed repayment would be made which would reduce this debt over an agreed period of time. The CRA reported to Aqua that the loan repayment was for £422 a month, so Aqua were able to build this into their affordability calculation that they completed.

Mr R had no late or overlimit fees charged to his account since the last lending decision, and he wasn't in arrears on any of his active accounts. Mr R frequently repaid more than his minimum required payments on the account, which could suggest he had the affordability to sustain higher repayments to a higher credit limit.

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

May 2022 credit limit increase - £1,700 to £2,700

Aqua have upheld Mr R's complaint from the May 2022 lending decision as confirmed by their final response letter. So I have not reviewed the checks they made here. Instead, I've focused on whether the redress was fair.

Aqua have broadly 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 the May 2022 lending decision. But if the repayments aren't affordable to Mr R currently, then he should contact the owners of the debt to ensure an affordable repayment plan is put in place.

I've considered the redress of 42p. Aqua confirmed to our service when they sent their business file to us that they refunded proportionate interest and fees. 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 Mr R, I can see from the data Aqua have sent us that it appears he entered an arrangement to pay with Aqua shortly after the credit limit increase here.

I can see that as a result of the repayment plan, Aqua did not charge him interest on the account after this point. I've considered what Mr R has said about Aqua upholding the complaint but this is not reflected in the balance. But I've not been provided any evidence that the balance hasn't been reduced by 42p.

It could be that Mr R is making the point that Aqua have agreed to uphold his complaint from this point but they haven't written off the amount of debt by the amount his credit limit increased by. But this isn't something we'd ask them to do as Mr R had the benefit of the money, and therefore it would be reasonable for him to repay this amount back.

Or he could be making the point Aqua should have refunded him all of the interest from this point. But as the earlier lending decisions appeared to be affordable for him, this is why only the proportionate interest would be refunded, not all of the interest.

Although Mr R has commented about the checks being the same for each lending decision, he was not showing as being on an arrangement with Aqua around the time of the earlier lending decisions, and that is why the checks showed different things at each lending decision, so it wouldn't follow that the earlier decisions were unfair just because Aqua upheld the complaint from the last lending decision.

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 Mr R in the circumstances of his 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 Mr R to accept or reject my decision before 7 May 2025.

Gregory Sloanes
Ombudsman

