

## **The complaint**

Miss W complains that NewDay Ltd trading as Aqua irresponsibly increased her credit limit.

## **What happened**

Miss W's Aqua account had a credit limit of £450, but Aqua increased the credit limit to £1,450 in June 2018. Miss W says that it was irresponsible for Aqua to increase her credit limit. Miss W made a complaint to Aqua, who did not uphold her complaint. Miss W brought her complaint to our service.

Our investigator did not uphold Miss W's complaint. She said that Aqua should have made further checks, but further checks would have shown the credit limit increase would be affordable for her. Miss W asked for an ombudsman to review her complaint.

## **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.

As Miss W has made it clear she is complaining about the credit limit increase only, and not the initial lending decision, I will not make a finding regarding whether the initial £450 credit limit was lent irresponsibly.

Before agreeing to increase the credit available to Miss W, 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.

I've looked at what checks Aqua said they did when increasing Miss W's credit limit to £1,450. Aqua looked at information provided by Credit Reference Agencies (CRA's) and they would be able to see how Miss W managed her account prior to the credit limit increase.

The CRA reported that Miss W had no public records such as a County Court Judgement (CCJ), and no defaults registered on her credit file. The checks showed Miss W had unsecured debt of £577 at the time they completed their lending checks. At the time Miss W's application for the account was approved, the CRA Aqua used reported that Miss W had a debt to gross annual income ratio of 7.15%. So as Miss W had declared a gross annual income of £16,000, this would have equated to around £1,144 of unsecured debt. So Miss W's unsecured debt had decreased since her account had been opened compared to Aqua's checks prior to the credit limit increase.

The CRA reported that Miss W had no active accounts in arrears at the time of the checks, and she hadn't been in arrears on any of her accounts since her account had been opened.

Miss W had made repayments totalling £150, £402.71 and £330 in some of the months between her account being opened, and the credit limit increase. So this could suggest she had the affordability to be able to make sustainable repayments for a higher credit limit.

But I can also see that in the month prior to Aqua's lending checks, she incurred a late payment fee. So this could be a sign of financial difficulty. Or it could have been a genuine oversight from Miss W. Aqua did not verify Miss W's income prior to this lending decision or estimate her outgoings.

So I'm persuaded that it would have been proportionate for Aqua to carry out further checks here, to ensure Miss W could sustainably afford repayments for the higher credit limit. Especially due to the recent late payment and with the credit limit more than trebling.

There's no set way of how Aqua should have made further proportionate checks. One of the things they could have done was to contact Miss W to ask her why she had missed a payment on her account, and to ensure she could afford the repayments on a higher credit limit. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss W has provided her bank statements leading up to the credit limit increase. I've reviewed the bank statements and apart from an unpaid standing order (which money was credited to the account on the same day) Miss W's account is generally well run. Her income was fairly consistent for the three months leading up to the credit limit increase, and she didn't appear to enter an overdraft at the end of any of the days on the statement. She had no returned direct debits.

So if Aqua would have requested Miss W's bank statements as part of a proportionate check, I'm satisfied that they still would have approved the credit limit increase to £1,450. And I'm persuaded that they made a fair lending decision here, based on the reasons I've already given.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Aqua lent irresponsibly to Miss W or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 18 April 2025.

Gregory Sloanes  
**Ombudsman**