

The complaint

Mr R 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 R applied for an Aqua credit card in February 2020. In his application, Mr R said he was employed with an income of £53,330 a year that Aqua calculated left him with £2,821 a month after deductions. Aqua applied estimates for Mr R's housing and general living expenses to the application, totalling £972 a month. Aqua also carried out a credit search and found Mr R owed around £100 to other lenders. Aqua found Mr R had previously defaulted around 14 months earlier but no other adverse credit or recent arrears were found. Aqua applied its lending criteria and says Mr R had an estimate disposable income of £1,527 after meeting his regular outgoings. Aqua approved Mr R's application and issued a credit card with a £900 limit.

Aqua went on to approve the following credit limit increases (CLIs):

Event	Date	Limit
CLI1	Jul-20	£1,200
CLI2	Oct-20	£1,950
CLI3	Jun-21	£2,950
CLI4	Aug-21	£3,950
CLI5	Dec-21	£5,200
CLI6	May-22	£6,200
CLI7	Sep-22	£6,800

Last year, representatives acting on Mr R'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 R's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr R's complaint. They thought the decisions to approve Mr R's application and the first and second credit limit increases were reasonable based on the information it obtained. The investigator thought Aqua should've carried out better checks before approving the subsequent credit limit increases and asked Mr R's representatives for bank statements so they could look at his circumstances. But the investigator said they weren't able to get a clear picture of Mr R's circumstances using the statements provided and wasn't able to say what Vanquis would've found if better checks had been completed. The investigator didn't uphold Mr R's complaint. Mr R asked to appeal so 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 R 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.

I've set out the information Aqua used when considering Mr R's application above. I can see Aqua asked Mr R about his income and made reasonable deductions for his housing and general living expenses. Aqua's credit search found Mr R had a low level of unsecured debt with no recent arrears. The default Aqua found was 14 months old and within its lending criteria. Aqua reached an estimated disposable income figure of £1,527 a month and I'm satisfied that would've been sufficient to sustainably afford repayments to a credit card with a £900 limit. In addition, I think the decisions to approve CLI1 and CLI2 were reasonable based on the information Aqua obtained. Mr R's debts were still reasonably low. No new adverse credit or missed payments were found on Mr R's credit file. Mr R's account was well maintained with no fees applied by Aqua. Overall, I haven't been persuaded that Aqua lent irresponsibly up to CLI2.

I note Mr R's unsecured debts increased after CLI2 and I think there were grounds for Aqua to have carried out a more detailed approach before lending further. One option Aqua had would've been to review Mr R's bank statements to get a clearer picture of his circumstances. I've reviewed the bank statements Mr R has provided for three months before each credit limit increase from CLI3 onwards.

For CLIs 3 and 4, Mr R appears to have been receiving his income payments into the account. But I wasn't able to see regular outgoings for Mr R's living expenses from the account statements provided. Mr R's income did vary but his outgoings were also low. I felt the bank statements provided for CLIs 3 and 4 showed Mr R was able to sustainably afford repayments to credit limits up to £3,950.

I wasn't able to get a clear picture of Mr R's circumstances by looking at his bank statements for CLI5 and CLI6. Mr R's bank statements show he was no longer receiving earned income into the bank account. I was able to see regular transfers from a third party. I can see Mr R did start to make payments to a new creditor from this account during the early part of 2022. But the credits being received into his account were sufficient to cover its outgoings. I can see our investigator has been back to Mr R's representatives to ask for some additional bank statements. But Mr R's confirmed he has submitted the available evidence he has. I wasn't persuaded the evidence on file was sufficient to show Aqua lent irresponsibly to Mr R.

Around June 2022 Mr R started to receive regular earned income into his account again. In June and July 2022 Mr R earned an average of £2,043. Mr R's regular outgoings came to

around £900 a month. Mr R didn't receive any earned income into his bank account in August 2022 but I note he did received transfers in excess of £7,000 from other accounts and third parties which were more than sufficient to cover his regular outgoings. On balance, the bank statements provided don't indicate Aqua lent irresponsibly when it approved CLI7.

Ultimately, I wasn't able to get a clear picture of Mr R's circumstances by reviewing the statement evidence provided. But in the absence of further statements or other evidence from Mr R, I haven't been persuaded Aqua lent irresponsibly when it approved his credit limit increases. As a result, I'm unable to uphold Mr R's complaint.

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 R 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 R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 June 2025.

Marco Manente
Ombudsman