

The complaint

Mr B 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 B applied for an Aqua credit card in April 2024. In his application, Mr B said he was employed with an income of £33,000 that Aqua calculated left him with £2,273 a month after deductions. Aqua applied estimates for Mr B's rent and general living expenses totalling £761 a month. A credit search found Mr B had two defaults, the newest of which was 41 months old at the point of application. No other adverse credit or recent missed payments were found on Mr B's credit file. Aqua found Mr B owed around £1,300 to other lenders and was making monthly repayments of £223. Aqua applied its lending criteria and says Mr B had an estimated disposable income of £1,287 a month after meeting his regular outgoings. Aqua approved a credit card with a limit of £1,200. Aqua increased the credit limit to £2,450 in September 2024.

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

An investigator at this service looked at Mr B's complaint. They thought Aqua had completed reasonable and proportionate lending checks before agreeing to lend and increasing the credit limit. The investigator wasn't persuaded Aqua lent irresponsibly and didn't uphold Mr B's complaint. Mr B 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 B 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.

As I've set out above, Aqua asked Mr B about his circumstances and income in the application he completed. I can see Mr B confirmed his income was £33,000 and Aqua used a monthly figure of £2,273. In addition, Aqua used estimates for Mr B's regular living expenses totalling £761. That's an approach Aqua is allowed to take under the rules and I'm satisfied the figures it used were reasonable. Aqua also checked Mr B's credit file. I can see some reasonably historic defaults were found, but I think it's fair to say Mr B's other credit all appeared to be well handled and there were no obvious signs he was experiencing financial difficulties. I'm satisfied Mr B's existing credit and monthly repayments were taken into account by Aqua when considering his application. Aqua reached the view that Mr B had an estimated disposable income of £1,287 and I think the conclusion was reasonable based on the information it obtained. In my view, the level and nature of checks Aqua completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr B's application with a credit limit of £1,200 was reasonable based on the information Aqua obtained.

Aqua increased the credit limit to £2,450 in September 2024. Aqua carried out a similar set of lending checks, including using a service provided by the credit reference agencies that confirmed his net monthly income was £2,314. Mr B's other debts were at around the same level as when he first applied to Aqua. And no new missed payments or other adverse credit were found on Mr B's credit file. Aqua used new estimates for Mr B's regular outgoings. And Aqua's provided evidence that shows Mr B's credit card was well maintained up to that point. After applying its lending criteria, Aqua says Mr B had an estimated disposable income of £1,318 which would've been sufficient to cover the increased repayments.

In my view, Aqua's checks were proportionate to the credit limit increase to £2,450. And I think the decision to approve the credit limit of £2,450 was reasonable based on the information Aqua obtained.

In response to the investigator, Mr B said his account showed he was gambling which should've caused Aqua to decline to lend. But Aqua didn't have sight of Mr B's bank statements. And I've looked at Mr B's Aqua statements but was unable to find any evidence of gambling.

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 B 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 B's complaint.

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

Marco Manente
Ombudsman