

## **The complaint**

Mr P complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved his credit card application.

## **What happened**

Mr P applied for an Aqua credit card in January 2022. In his application, Mr P said he had an income of £29,000 a year that Aqua calculated left him with £2,033 a month after deductions. Aqua used estimates for Mr P's housing costs and general living expenses totalling £1,105 a month. Aqua also carried out a credit search and found Mr P owed around £10,500 and was making monthly repayments of £517. No adverse information, defaults or recent missed payments were found on Mr P's credit file. Aqua applied its lending criteria and says Mr P had an estimated disposable income of £375 a month after meeting his regular outgoings. Aqua approved Mr P's application and issued a credit card with a £1,200 limit.

Mr P went on to use the credit card. No fees for late payment or being over the credit limit were applied up to the point Mr P complained. Last year, representatives acting on Mr P's behalf complained that Aqua lent irresponsibly. Aqua issued a final response and said it had carried out the relevant lending checks before approving Mr P's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr P's complaint. They thought Aqua completed reasonable and proportionate lending checks before approving Mr P's application and its decision to proceed was reasonable based on the information it obtained. The investigator wasn't persuaded Aqua lent irresponsibly to Mr P.

Mr P's representatives asked to appeal and said the £1,200 credit limit was unaffordable. They said Mr P already had significant debt at the time of application and was relying on his overdraft each month. Mr P's representatives added the affordability checks were inadequate and the information available showed he was financially strained at the time of his application. Mr P's representatives also explained he suffers with stress and mental health challenges that were made worse by the impact of Aqua's credit card. As Mr P's representatives asked to appeal, 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, the rules say Aqua had to complete reasonable and proportionate checks to ensure Mr P 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 obtained when considering Mr P's application above. I can see that Aqua looked at Mr P's credit file to get a picture of how he'd handled his existing debts and how much he owed. Mr P's representatives have told us he was already burdened with an unreasonably high level of debt. But the credit file Aqua obtained showed Mr P owed around £10,500 at the point of application (the figure reduced to around £4,000 around two months later) and his monthly repayments of £517 were taken into account when Aqua applied its lending criteria. And whilst I note the point that Mr P was using his overdraft at the time he applied, I'm satisfied Aqua took the cost of servicing his existing debts into account when considering his application.

I also think it's reasonable to note Mr P's credit file showed no evidence of adverse credit, defaults or recent missed payments. So whilst I can see Mr P did owe around £10,500 to other businesses, I haven't seen evidence that would've shown Aqua he struggling financially at the time of his application.

Aqua used estimates for Mr P's regular outgoings obtained from nationally recognised statistics. I understand Mr P's representatives feel the assessment should've gone further and involved a review of his bank statements. But the lending rules Aqua has to follow allow it to use reasonable estimates when considering whether to lend, there's no specific requirement to ask for bank statements on every application. As noted above, Aqua used a figure of £1,105 a month for Mr P's regular housing costs and general living expenses. I'm satisfied that Aqua applied reasonable estimates for Mr P's outgoings when considering his application.

Ultimately, Aqua reached the view Mr P had an estimated disposable income of £375 after covering his existing outgoings. I'm satisfied that was sufficient to sustainably afford repayments to a new credit card with a limit of £1,200. In my view, the nature and level 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 P's application was reasonable based on the information Aqua obtained.

Mr P's representatives have explained he suffers with stress and mental health difficulties that were impacted by the credit card Aqua approved. I am sorry to hear about Mr P's circumstances. But I haven't seen anything in the information available to Aqua that would've highlighted Mr P was struggling with his mental health when his application was made or that, by approving it, it would have a negative impact. So whilst I don't doubt what Mr P's representatives have told us, I haven't been persuaded that Aqua acted unfairly by approving the application.

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 P 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 P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 June 2025.

Marco Manente  
**Ombudsman**