

The complaint

Mr F 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 F applied for an Aqua credit card in March 2017. In his application, Mr F said he was earning £16,600 a year that Aqua calculated left him with £1,189 a month after deductions. Aqua carried out a credit search and found a default that was around 20 months old. No other adverse credit, payday loans or recent missed payments were found. The credit search indicated Mr F owed around £15,000 and was making monthly repayments of £232 towards his existing unsecured debts. Aqua applied estimates for Mr F's housing costs and general living expenses totalling £857 a month. Aqua carried out an affordability assessment and applied its lending criteria to Mr F's application. Aqua found Mr F had an estimated disposable income of £70 a month after covering his regular outgoings. Aqua approved Mr F's application and issued a credit card with a £1,200 limit.

Aqua went on to increase the credit limit to £2,400 in September 2017 and £3,900 in December 2017. The credit limit was reduced to £1,000 in April 2020.

Last year, representatives acting on Mr F'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 F's application and didn't agree it lent irresponsibly.

An investigator at this service upheld Mr F's complaint as they felt the estimated disposable income figure of £70 a month that Aqua reached showed he was unable to sustainably afford repayments to a new credit card in addition to his existing commitments and outgoings. Aqua didn't agree and said the estimated disposable income figure it reached was conservative and that Mr F likely had a more funds available each month. Aqua added that if Mr F had borrowed to the full credit limit his minimum payments would've been £40 which did not come out of the estimated disposable income figure it reached. Our investigator responded further and confirmed they remained of the view that Aqua lent irresponsibly. No further responses were received from Aqua so Mr F's 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 F 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 F's application above. Ultimately, Aqua's credit check and affordability assessment reached the position that he had around £70 left at the end of each month after covering his existing commitments and outgoings. Like the investigator, I have concerns that a disposable income of £70 would've been insufficient to reasonably cover any unexpected or emergency costs that may've arisen. And I'm not persuaded that a disposable income of £70 a month would've left Mr F with enough to repay the outstanding balance in a reasonable timeframe if he'd borrowed to the full credit limit which would require considerably higher repayments than the minimum each month.

So whilst I acknowledge the response Aqua gave to the investigator's recommendations, my view is that it lent irresponsibly when it approved Mr F's application and issued a credit card with a £1,200 limit.

I've looked at the credit limit increases that followed but haven't seen anything that shows the credit card became more affordable for Mr F over time. Mr F's other unsecured debts remained high when compared to his income. Further, the lending data Aqua's provided doesn't give any details of new affordability assessments or affordability likelihood scores that show it took reasonable steps to ensure the credit limit increases were sustainable for Mr F.

For the reasons I've given above, I'm upholding Mr F's complaint and directing Aqua to settle by refunding all interest, fees and charges applied to his credit card from the date of approval.

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, I'm satisfied the redress I have directed below results in fair compensation for Mr F 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

My decision is that I uphold Mr F's complaint and direct NewDay Ltd trading as Aqua to settle as follows:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr F along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from his credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mr F for the remaining amount. Once he's cleared

the balance, any adverse information in relation to the account should be removed from his credit file.

If NewDay has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mr F a certificate showing how much tax has been taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 24 July 2025.

Marco Manente
Ombudsman