

## **The complaint**

Mrs B complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the credit limit.

## **What happened**

Mrs B applied for an Aqua credit card in August 2018. In her application, Mrs B said he was employed with an annual income of £17,600 that Aqua calculated left him with £1,243 a month after deductions. Aqua applied estimates for Mrs B's regular outgoings for housing costs and general living expenses totalling £682 a month. Aqua also carried out a credit search. No adverse credit, defaults or recent arrears were found on Mrs B's credit file by Aqua. Mrs B had existing debts totalling around £5,900 and was making monthly payments of £462. Aqua applied its lending criteria and says Mrs B had an estimated disposable income of £82 a month after covering her existing outgoings. Aqua approved Mrs B's application and issued a credit card with a limit of £1,200.

Aqua increased the credit limit to £1,950 in March 2019. Aqua says it looked at Mrs B's account history and credit file and carried out a new affordability assessment before increasing the credit limit.

Mrs B used the credit card until November 2022 when she repaid the outstanding balance. Last year, representatives acting on Mrs B'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 Mrs B's borrowing and didn't agree it lent irresponsibly.

An investigator at this service upheld Mrs B's complaint as they felt she had a low disposable income at the point of application which should've shown Aqua a new credit card with a limit of £1,200 wasn't affordable. The investigator also thought the credit limit increase to £1,950 in March 2019 wasn't reasonable.

Aqua agreed that it shouldn't have increased the credit limit in March 2019 and offered to refund interest, fees and charges applied over balances over £1,200. But Aqua didn't agree the original decision to approve Mrs B's application was unreasonable. As Aqua didn't agree with the investigator's view and Mrs B wasn't willing to settle, her 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 Mrs 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.

I've set out the information Aqua used when considering Mrs B's application above. Ultimately, Aqua calculated Mrs B only had £82 left after covering her existing outgoings each month. That's a very low level of disposable income and would've meant Mrs B's ability to meet unexpected or emergency costs was impacted. In addition, Mrs B already owed around £5,900 and Aqua approved a credit limit of £1,200 which was reasonably high. In my view, it should've been clear to Aqua that Mrs B wasn't in a position to sustainably afford repayments to a new credit card with a limit of £1,200 and led it to decline her application. I'm satisfied the decision to approve Mrs B's application wasn't reasonable and that Aqua lent irresponsibly.

Aqua's already confirmed its agreement that the credit limit increase to £1,950 in March 2019 shouldn't have been approved. As a result, I don't need to make a finding on this part of Mrs B's complaint or comment further beyond saying that I agree this case should be upheld.

As I'm satisfied Aqua lent irresponsibly, I'm upholding Mrs B's complaint and directing Aqua to refund all interest, fees and charges applied to her 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 Mrs B in the circumstances of her 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 Mrs B'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 Mrs B along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Aqua should also remove all adverse information regarding this account from Mrs B's credit file.
- Or, if after the rework there is still an outstanding balance, Aqua should arrange an affordable repayment plan with Mrs B for the remaining amount. Once Mrs B has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

\*HM Revenue & Customs requires Aqua to deduct tax from any award of interest. It must give Mrs B a certificate showing how much tax has been taken off if she asks for one. If it

intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

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

Marco Manente  
**Ombudsman**