

## **The complaint**

Mr M 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 M applied for a credit card with Aqua in December 2021. In his application, Mr M said he had an annual income of £75,000 that Aqua calculated left him with £3,598 a month after deductions. Aqua applied estimates for Mr M's regular outgoings and carried out a credit search. The credit search results indicated Mr M owed under £1,000 to other lenders at the time of his application and was making monthly repayments of £100. County Court Judgement information was noted that was 35 months old and Aqua found historic defaults, the newest of which was 69 months old at the point of application. Aqua applied its lending criteria and calculated Mr M had an estimated disposable income of £2,915 a month after meeting his existing outgoings. Aqua approved a credit card with a £450 limit.

Aqua increased the credit limit to £1,200 in May 2022 and £2,200 in September 2022. Aqua says it checked Mr M's account use, credit file and completed new affordability assessments when deciding whether to increase the credit limit.

Mr M's credit card fell into arrears in late 2023 and was closed at default in May 2024. Last year, Mr M complained to Aqua that it lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before deciding to approve Mr M's application and increasing the credit limit and didn't agree it had lent irresponsibly.

An investigator at this service looked at Mr M's complaint. They thought Aqua had completed reasonable and proportionate lending checks before approving the application in December 2021 and increasing the credit limit in May 2022. The investigator thought Aqua's decision to lend and increase the credit limit was reasonable based on the information it obtained. The investigator noted Mr M's unsecured debts increased between the first and second credit limit increases and also noted some payment issues on his credit file and fees incurred on his Aqua account. The investigator thought Aqua should've carried out a more detailed assessment before increasing the credit limit in September 2022 and looked at Mr M's bank statements for the preceding months to get a clearer picture of his circumstances. The investigator thought Mr M's bank statements showed he had sufficient disposable income to sustainably afford repayments to a credit limit of £2,200 and didn't agree Aqua lent irresponsibly.

Mr M asked to appeal and said he had a Bounce Bank Loan he'd taken out for business purposes that wasn't factored into Aqua's assessment. Mr M added that Aqua hadn't completed an income and expenditure assessment with him or verified his income. As Mr M 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 or increasing the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Mr M 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.

In his response to the investigator, Mr M explained that Aqua hadn't asked him to complete an income and expenditure check of requested evidence of his income before approving his application. But, as I've set out above, there's no set list of checks a lender has to carry out, including whether it has to complete an income and expenditure assessment directly with the applicant when considering an application. In this case, Aqua used figures it obtained from nationally recognised statistics to estimate Mr M's regular outgoings which is an approach it's allowed to take under the relevant lending regulations. In addition, Aqua took Mr M's declared income into account when looking at the application.

I can see that Aqua carried out a credit search and found Mr M had experienced some difficulties previously, including some defaults and CCJ information. But the adverse credit recorded was all reasonably old at the point of Mr M's application and Aqua has confirmed it fell within its lending criteria. The credit search identified existing debts totalling under £1,000 with monthly repayments of £100. I understand Mr M had taken a business Bounce Bank Loan during the pandemic, but that loan wasn't recorded on the credit file Aqua obtained. I can see Mr M has also submitted a credit report but I note that doesn't include the Bounce Bank Loan either. So whilst I don't doubt what Mr M's said, I haven't seen anything that would've told Aqua Mr M had a business Bounce Back Loan at the point of application.

After applying its lending criteria, Aqua says Mr M had an estimated disposable income of £2,915 a month once his outgoings were covered and approved a credit card with a limit of £450. In my view, the fact Mr M had low unsecured credit at the point of application and the estimated disposable income figure it reached was reasonably large, I'm satisfied 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 a credit limit of £450 was reasonable based on the information Aqua obtained. I'm sorry to disappoint Mr M but I haven't been persuaded Aqua lent irresponsibly when it approved his application.

The credit limit was increased to £1,200 in May 2022. Aqua used new estimates for Mr M's regular outgoings and also checked his credit file again as part of its assessment. I can see Mr M's other debts remained below £1,000 and his monthly repayments were around £30. As part of the assessment, Aqua used a service provided by the credit reference agencies that looks at current account turnover and returned a figure of £1,430 a month. But Mr M's confirmed he's self employed and his income varies on that basis. And I note the assessment reached the conclusion that while Mr M was earning less, he still had around

£890 a month left after meeting his existing outgoings. I haven't seen anything that would've indicated to Aqua that Mr M was struggling financially at this point or unlikely to be able to support an increase in his credit limit to £1,200. In my view, Aqua completed proportionate lending checks when deciding whether to increase the limit in May 2022 and I'm satisfied the decision to proceed was reasonable based on the information Aqua obtained. I haven't been persuaded Aqua lent irresponsibly when it increased Mr M's credit limit to £1,200 in May 2022.

Before the second credit limit increase, Mr M's unsecured debt level increased from less than £1,000 to around £19,750. I can also see that Mr M had incurred some late and overlimit fees from Aqua. In my view, the information available to Aqua ought to have caused it to consider a more detailed assessment before increasing Mr M's credit limit to £2,200. One option Aqua had would've been to look at Mr M's bank statements to get a clearer picture of his circumstances. Mr M's sent us bank statements that cover the three months before the September 2022 credit limit increase and I've reviewed them to get a clearer picture of his circumstances at the time.

Mr M's bank statements show his account was well maintained. I can see Mr M was making monthly payments of £787.50 to his partner and he's told the investigator this was to help cover housing costs and utilities. I've taken Mr M's regular outgoings for items like his credit, utilities, mobile phone and insurance into account, as well income payments he received. I found Mr M's average monthly income was around £3,040 against average outgoings of £1,470. That means Mr M had around £1,570 a month available to cover his remaining costs for items like food, fuel and his other general living expenses. In my view, Mr M's bank statements show he had capacity to sustainably afford repayments to a credit limit of £2,200. I think it's more likely than not that even if Aqua had carried out better lending checks, like reviewing Mr M's bank statements, it's more likely than not it would've still decided to increase his credit limit to £2,200 in September 2022. I'm sorry to disappoint Mr M but I haven't been persuaded Aqua lent irresponsibly.

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 or otherwise treated Mr M 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 May 2025.

Marco Manente  
**Ombudsman**