

## **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 September 2022. In his application, Mr B said he had an income of £27,000 a year that Aqua calculated left him with around £1,913 a month after deductions. Aqua applied estimated housing costs and general living expenses totalling £710 a month to the application. Aqua also carried out a credit search and found Mr B owed around £12,500 to other lenders and was making monthly repayments of £449. No adverse credit, defaults or recent arrears were found on Mr B's credit file. Aqua applied its lending criteria and says Mr B had an estimated disposable income of £736 after meeting his regular outgoings. Aqua approved Mr B's application and issued a credit card with a limit of £900.

Aqua increased the credit limit to £1,750 in February 2023, £3,000 in June 2023 and £4,000 in October 2023. Aqua says it checked Mr B's card use and credit file when applying its lending criteria before increasing the credit limit.

Last year, representatives acting on Mr B's behalf complained that Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks 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 checks before deciding to approve Mr B's application and increasing the credit limit and weren't persuaded it lent irresponsibly. Mr B's representatives 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.

I can see that Aqua asked Mr B about his income and circumstances in the application. Mr B confirmed he had an income of £27,000 and Aqua says that left him with £1,913 a month after deductions. Aqua used reasonable estimates for Mr B's regular outgoings for housing and living expenses totalling £710 a month. And, as noted above, Mr B's credit file showed he was up to date with all his existing commitments with no defaults or other adverse credit reported. I can see Aqua took Mr B's monthly repayments of £449 into account. In my view, Aqua reached a reasonable figure when it calculated Mr B had an estimated disposable income of £736 a month. I'm satisfied the nature and level of checks Aqua completed were reasonable and proportionate to the amount and type of borrowing it went on to offer. And I'm satisfied the decision to approve Mr B's application with a credit limit of £900 was reasonable based on the information Aqua obtained.

I've looked at the credit limit increases to see whether Aqua continued to undertake reasonable, proportionate and fair lending checks. I note Mr B's unsecured debt levels remained static during the period Aqua was increasing the credit limit. No missed payments, defaults or other adverse credit were found on Mr B's credit file either. And I note no default, overlimit or late payment charges were applied to the Aqua credit card which was well maintained. Aqua continued to apply its lending criteria by using estimates for Mr B's rent and general living expenses. Aqua also used a service provided by the credit reference agencies that monitors current account turnover to get income figures and used that information as part of the lending checks it completed. On each occasion, Aqua lending checks found Mr B had an estimated disposable income of over £500 a month after meeting his existing outgoings.

Overall, I'm satisfied Aqua completed reasonable and proportionate checks before approving Mr B's credit limit increases in stages, taking it to £4,000 in October 2023. In my view, the information Aqua obtained showed Mr B was in a stable financial position and was managing his existing finances and credit card well. I haven't seen anything that I think should've prompted Aqua to carry out further checks or decline to lend further. Overall, I'm satisfied Aqua's decision to increase Mr B's credit limit in stages to £4,000 by October 2023 was reasonable based on the information it had available. I'm very sorry to disappoint Mr B but I haven't been persuaded that 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 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 28 May 2025.

Marco Manente  
**Ombudsman**