

The complaint

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

What happened

Miss P applied for an Aqua credit card in March 2024. In her application, Miss P said she was employed with an annual income of £20,500 that Aqua calculated left her with £1,523 a month after deductions. Aqua carried out a credit search and found Miss P had a default that was two years old at the point of application. The credit search found no other evidence of adverse credit or recent missed payments. In addition, the credit search found Miss P owed around £1,400 in other unsecured debts and was making repayments of around £70 a month.

Aqua completed an affordability assessment and used estimates for Miss P's regular outgoings including £485 for rent and £494 for her general living expenses in addition to a £50 monthly dependant cost noted in the application. After applying its lending criteria, Aqua says Miss P had an estimated disposable income of £417 a month. Aqua approved Miss P's application and issued a credit card with a £900 limit.

Miss P used her credit card to take cash advances totalling £850 between April and May 2024. Payments stopped being received by Aqua in July 2024.

Representatives acting on Miss P's behalf went on to complain that Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before approving Miss P's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss P's complaint. They thought Aqua completed reasonable and proportionate checks before agreeing to lend and weren't persuaded it lent irresponsibly to Miss P when it approved the credit card application. Miss P's representatives asked questions concerning the "cost of living" deductions made by Aqua in its affordability assessment and asked to appeal. As Miss P's representatives asked to appeal, 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, the rules say Aqua had to complete reasonable and proportionate checks to ensure Miss 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 used when considering Miss P's application above. I think it's fair to note that the credit search completed by Aqua found a default that was two years old at the point of application. But no other adverse credit, payday loans, recent missed payments or other credit file issues were noted on the results obtained by Aqua. And Miss P had a low amount of other unsecured debt at around £1,400 which was up to date. I haven't seen anything on the credit file information Aqua obtained that would've shown Miss P was overcommitted or experiencing financial difficulties.

Aqua asked Miss P about her income and calculated a net monthly take home of £1,523 using the information provided. It's not clear whether Aqua verified that income figure. But given the credit limit of £900 Aqua was considering was modest and Miss P's credit file results, I'm satisfied it was reasonable for it to proceed based on the income figure provided.

Aqua also applied estimates for Miss P's housing costs of £485 and "cost of living" of £494 a month. The relevant lending rules allow Aqua to use estimates for outgoings and I'm satisfied that was appropriate for Miss P's application. Aqua has confirmed it obtained the cost of living estimate from a credit reference agency and that it covers essential spending outside the housing costs and credit commitments. I appreciate Miss P's representatives feel the figure is unreasonably low. But after applying its lending criteria, Aqua found Miss P had £417 a month remaining as a disposable income. I'm satisfied the available information shows Miss P had sufficient income available to cover living expenses in addition to her other outgoings. And whilst Miss P have questioned the figure used, no alternatives or evidence her outgoings were higher have been supplied. Overall, I'm satisfied Aqua used a reasonable monthly cost of £494 for Miss P's general living expenses.

Ultimately, Aqua reached the view Miss P had a reasonable disposable income of £417 a month after covering her existing outgoings. I'm satisfied that was a fair conclusion to reach following reasonable and proportionate lending checks. And I'm satisfied the information available to Aqua showed Miss P was able to sustainably afford repayments to a new credit card with a £900 credit limit. I'm sorry to disappoint Miss P but for the reasons noted above 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 Miss P or otherwise treated her 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 Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 24 September 2025.

Marco Manente
Ombudsman