

The complaint

Miss A complains that NewDay Ltd trading as Aqua irresponsibly lent to her.

What happened

Miss A was approved for an Aqua credit card in June 2022 with a £900 credit limit. I have detailed the credit limit increases below:

November 2022	£900 to £1,900
February 2023	£1,900 to £3,000
September 2023	£3,000 to £4,000
February 2024	£4,000 to £4,750

Miss A says that Aqua irresponsibly lent to her, and she made a complaint to them. Aqua did not uphold Miss A's complaint as they said they made fair lending decisions. Miss A brought her complaint to our service. Our investigator did not uphold Miss A's complaint. She said Aqua made fair lending decisions.

Miss A asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that she had a prolonged financial hardship, including persistently being overdrawn during the entire time she borrowed from Aqua. Miss A says Aqua should have provided her with forbearance and the interest charges were significant.

Miss A says that the repeated credit increases not only worsened her debt cycle but also delayed her ability to regain financial stability, and the interest charged during this period should be considered in this context.

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.

Firstly, I'm aware that I've only summarised Miss A's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve or increase the credit available to Miss A, Aqua needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Aqua have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Aqua card

I've looked at what checks Aqua said they did when initially approving Miss A's application. I'll address the credit limit increases later on. Aqua said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss A had provided before approving her application.

The information shows that Miss A had declared a gross annual income of £25,000. The CRA reported that Miss A had not defaulted on any agreements, and she had no County Court Judgements (CCJ's).

The CRA Aqua used reported that Miss A had a debt to income ratio of 5.89%, which based on her declared gross annual income this would have equated to around £1,472.50.

The CRA had reported that Miss A had not been in arrears on any of her accounts in the previous six months and she had no payday loans, or any arrangements to pay on any of her accounts. The £900 credit limit would equate to around 3.6% of her declared gross annual income.

Aqua completed an affordability assessment using a mixture of information from a CRA and modelling which is an industry standard way of assessing affordability. Aqua are not required to request bank statements for every lending decision as a matter of course, as this would not be proportionate.

The affordability assessment showed that Miss A should be able to sustainably afford repayments for a £900 credit limit (including any interest charged).

So I'm satisfied that the checks Aqua carried out here, prior to approving the initial £900 credit limit were proportionate and that Aqua made a fair lending decision to approve Miss A's application for the Aqua account.

I've considered what Miss A has said about the interest charged. I've reviewed a copy of the credit agreement that she has forwarded to our service. I'm satisfied that the credit agreement is clear with what interest she agreed to pay, and how Aqua calculate and charge interest.

November 2022 credit limit increase - £900 to £1,900

I've looked at the information available to Aqua as part of this lending decision. Miss A's unsecured debt was slightly higher than it was at the account opening stage, as it was showing as being £2,642 by one of the CRA's. But this would have equated to around 10.6% of Miss A's originally declared gross annual income. So I'm not persuaded that she appeared to be overindebted here.

Aqua would have been able to see how Miss A managed her account prior to this lending decision. She incurred no overlimit or late fees prior to the checks for this lending decision. Miss A was showing as having no arrears on any external accounts since her Aqua account had been opened.

Aqua also completed an affordability exercise. They assessed Miss A's monthly net income using Current Account Turnover (CATO), which is an industry standard way of assessing someone's income. Again Aqua used information from the CRA's and modelling to assess Miss A's affordability. The affordability assessment showed that Miss A should comfortably be able to make sustainable repayments for the credit limit they offered as part of this lending decision.

So based on the affordability assessment, the low debt to income ratio, no adverse information being reported to the CRA's, and how Miss A managed her account, it wouldn't have been proportionate for Aqua to have made further checks here, such as requesting Miss A's bank statements, as I'm persuaded their checks for this lending decision were proportionate, and they made a fair lending decision here.

February 2023 credit limit increase - £1,900 to £3,000

Miss A was showing as having unsecured debt of £1,853 at the time of these checks, which was lower than the last lending decision checks, which could suggest that not only Miss A was able to service her existing debt, but to also reduce this. Miss A was not in arrears on any of her accounts at the time of the checks, and she hadn't been in arrears on any accounts since the last lending decision.

Miss A incurred no late or overlimit fees on her Aqua account since the last lending decision. Aqua completed another affordability assessment. This again showed that the repayments for a £3,000 credit limit would be affordable and sustainable for her. The £3,000 credit limit would have equated to around 12% of Miss A's declared gross annual income.

So I'm not persuaded that there were signs of financial difficulty here. So I'm persuaded that Aqua made a fair lending decision to increase the credit limit to £3,000 and their checks were proportionate for this lending decision.

September 2023 credit limit increase - £3,000 to £4,000

A CRA reported that Miss A's unsecured debt had approximately trebled since the last lending checks. Miss A again had no arrears on any accounts since the last lending decision, and she didn't incur any overlimit or late fees on her Aqua account since the last lending decision.

But based on the increase of unsecured debt Miss A had, I'm persuaded that Aqua should have completed further checks to ensure that repayments on a £4,000 credit limit would be affordable and sustainable for her.

There's no set way of how Aqua should have made further proportionate checks. One of the things they could have done was to contact Miss A to ask her why her level of unsecured debt had increased, and to ensure the repayments would be affordable and sustainable for her. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss A has provided her bank statements leading up to this lending decision. While Miss A is overdrawn at times on her account, this alone would not mean she couldn't afford sustainable repayments for the increased credit limit. I say this as I need to be satisfied that Miss A would have sufficient disposable income to be able to make sustainable repayments (including interest) for the increased credit limit.

Miss A's statements show her receiving more income than Aqua had assessed for her as part of this lending decision. In addition to this, while Miss A's arranged overdraft is £1,000, she often doesn't use most of the overdraft. And her bank statements show she isn't charged interest on the overdraft on £1,000 at the time leading up to these checks. Miss A's statements show that after her priority bills were paid she should have the affordability to be able to sustain repayments for a £4,000 credit limit. She did not exceed her overdraft leading up to this lending decision, and she didn't have any returned direct debits either.

So if Aqua had requested Miss A's bank statements as part of a proportionate check due to her increased debt, I'm persuaded that they would have still made a fair lending decision to approve this credit limit increase.

February 2024 credit limit increase - £4,000 to £4,750

One of the CRA's reported that Miss A had unsecured debt of £12,390 at the time of the checks. This was more than double of the debt at the last lending decision. Miss A again had no arrears on any accounts since the last lending decision, and she didn't incur any overlimit or late fees on her Aqua account since the last lending decision.

But based on the increase of unsecured debt Miss A had, I'm persuaded that Aqua should have completed further checks to ensure that repayments on a £4,750 credit limit would be affordable and sustainable for her.

Miss A has provided her bank statements leading up to this lending decision. Miss A does not use her overdraft for the full three month period. But there are times where she exceeds her arranged overdraft. This could be a sign of financial difficulty, or it could be the result of poor account management.

On this occasion there was a lot of non-essential spending on the account. Miss A didn't exceed her overdraft for a long period of time, and she was not charged any interest on her bank account at any point for the three months leading up to this lending decision.

Miss A's bank statements suggest that after her priority bills are paid she should have the affordability to be able to sustain affordable repayments for a £4,750 credit limit, when combining this with the information the CRA's gave Aqua, and her having no adverse credit showing on her credit file.

So if Aqua had requested Miss A's bank statements as part of a proportionate check due to her increased debt, I'm persuaded that they would have still made a fair lending decision to approve this credit limit increase.

I've considered what Miss A has said about prolonged financial hardship, Aqua should have provided her with forbearance, and the constant debt cycle. I can empathise with what Miss A has told us here.

But it appears from Aqua's data that Miss A's lending substantially increases after the credit limit to £4,750. I say this as after the credit limit was increased, Miss A's unsecured debt more than quadruples as opposed to what Aqua saw at the lending checks as a CRA reported that after the credit limit was increased, Miss A had £52,502 of unsecured debt.

I'm not persuaded that it would be foreseeable to Aqua that shortly after the credit limit was increased that Miss A's unsecured borrowing would increase by nearly £40,000. Miss A still continued to pay at least her minimum requested payment on her Aqua account for a long time after the last credit limit increase.

Miss A's overall debt had fallen to £48,613 in January 2025, based on what a CRA told Aqua, so based on Miss A not missing repayments on her account and her starting to reduce her overall debt, it wouldn't have been proportionate for Aqua to have contacted her to take any action which could impact her credit file at that time, especially as the lending decisions were fair at the time they were given.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that

Aqua lent irresponsibly to Miss A or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 18 August 2025.

Gregory Sloanes
Ombudsman