

The complaint

Mr U 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 U applied for an Aqua credit card in June 2018. In his application, Mr U said he was employed with an income of £15,000 that Aqua calculated left him with £1,103 a month after deductions. Aqua applied estimates for Mr U's rent and general living expenses totalling £609 a month to the application. A credit search was completed that found Mr U had a County Court Judgement (CCJ) that was 53 months old at the point of application. No defaults, payday loans or recent missed payments were noted on Mr U's credit file. Mr U had no outstanding debts. Aqua applied its lending criteria and says Mr U had an estimated disposable income of £493 a month after meeting his existing outgoings. Aqua approved Mr U's application and issued a credit card with a £300 limit.

Aqua increased the credit limit to £1,300 in November 2018 and £3,300 March 2019. Before each credit limit increase, Aqua verified Mr U's income via a service provided by the credit reference agencies, checked his credit card repayments, looked at his credit file and carried out an affordability assessment.

Mr U's Aqua credit card fell into arrears in 2023 and was ultimately closed at default. Last year, representatives acting on Mr U's behalf complained that Aqua lent irresponsibly and it issued a final response. Aqua didn't uphold Mr U's complaint.

An investigator at this service looked at Mr U's case. They thought Aqua carried out reasonable and proportionate lending checks before approving Mr U's application and later increasing the credit limit. The investigator didn't agree that Aqua lent irresponsibly and didn't uphold Mr U's complaint. Mr U's representatives asked to appeal and said Aqua should've recognised he was using his credit card irresponsibly and was using it to pay for his other debts. They also said Mr U's credit file showed he had numerous defaults and arrears which confirmed he was in financial distress. Mr U's representatives also said he was still feeling the effects of the CCJ he'd incurred four and a half years before applying to Aqua. As Mr U 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 U 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 obtained and used when considering Mr U's application above. I can see Aqua asked Mr U about his income and used reasonable estimates obtained from nationally recognised statistics for his regular living expenses and rent. In addition, I can see Aqua carried out a credit search. I understand Mr U's representatives have told us the CCJ Aqua found that was 53 months old continued to impact him. But I think it's reasonable to note his credit file was free from defaults, payday loans or recent missed payments. And Mr U didn't owe anything to other lenders so wasn't make any regular repayments. In my view, that showed Mr U's circumstances had stabilised after the CCJ was incurred.

Aqua reached the view that Mr U had an estimated disposable income of £493 a month and approved a credit card with a £300 limit. Given the size of the initial credit limit, Mr U's lack of other unsecured credit or recent adverse information on his credit file, I think the level and nature of checks Aqua completed were reasonable and proportionate. And I think the decision to approve Mr U's application with a credit limit of £300 was reasonable based on the information Aqua obtained. I'm sorry to disappoint Mr U but I haven't been persuaded Aqua lent irresponsibly when it approved his application.

Before increasing Mr U's credit limit, Aqua carried out a number of checks, including reviewing his credit card payments. I note no late or overlimit fees were applied to Mr U's credit card during this time and his account was well managed. Aqua used a service provided by the credit reference agencies to look at Mr U's income and found it had increased. In November 2018 Aqua says Mr U's income was £5,512 and in March 2019 it was £6,845. There were no new CCJs, defaults, payday loans or missed payments recorded on Mr U's credit file during this time. Mr U's other debts stood at £423 in November 2018 and £1,194 in March 2019. In my view, that showed Mr U's circumstances were stable at this point and he was receiving more funds into his current account each month when compared with the original application.

Aqua also applied updated estimates for Mr U's outgoings when carrying out its affordability assessment for both credit limit increases. Ultimately, Aqua reached the view Mr U's estimated monthly disposable income was £4,789 in November 2018 and £5,503 in March 2019.

Overall, I'm satisfied the checks Aqua completed before increasing Mr U's credit limit to £1,300 in November 2018 and £3,300 in March 2019 were reasonable and proportionate. And I'm satisfied the decision to approve Mr U's credit limit increases was reasonable based on the information Aqua obtained.

In response to the investigator, Mr U's representatives said he was using his Aqua credit card to pay his other debts. But, as noted above, Mr U had a reasonably low level of other unsecured debts during the period his credit limit was being increased. Mr U's representatives also said he had numerous defaults and missed payments on his credit file during this time, showing he was experiencing financial difficulties. But the credit file

information Aqua obtained doesn't show any defaults or missed payments during this time. Whilst I understand Mr U had previously received a CCJ, I'm satisfied it was 53 months before his application was made so historic in nature and that Aqua took it into account when deciding whether to lend.

I'm very sorry to disappoint Mr U but for the reasons I've given above I haven't been persuaded Aqua lent irresponsibly so I'm unable to uphold his complaint.

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 U 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 U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 2 July 2025.

Marco Manente
Ombudsman