

The complaint

Mr O 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 O applied for an Aqua credit card in February 2018. In his application, Mr O said he was employed with an income of £19,000 a year that Aqua calculated left him with £1,319 a month after deductions. Aqua carried out a credit search and found Mr O had a default that was 50 months old but no other adverse credit, recent missed payments or payday loans were found. The credit search showed Mr O owed around £100 at the point of application. Aqua also applied estimates for Mr O's housing costs and general living expenses to the application. Aqua carried out an affordability assessment and says Mr O had an estimated disposable income of £643 a month after covering his existing outgoings. Aqua approved Mr O's application and issued a credit card with a £450 limit.

Mr O used the credit card and Aqua went on to increase the credit limit as follows:

Event	Date	Limit
App	Feb-18	£450
CLI1	Aug-18	£1,350
CLI2	Jan-19	£2,550
CLI3	May-19	£3,800
CLI4	Apr-21	£5,800
CLI5	Aug-21	£7,800

Mr O continued to use the credit card and in 2023 the balance was over the agreed credit limit for several months. Mr O repaid the outstanding balance in full in September 2023 and the account was closed a short time later.

Last year, Mr O complained that Aqua lent irresponsibly and it sent him a final response. Aqua said it had carried out the relevant lending checks before approving Mr O's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr O's complaint. Overall, the investigator wasn't persuaded Aqua lent irresponsibly and didn't uphold Mr O's complaint. Mr O asked to appeal and said he was gambling during the period Aqua was lending to him and remained of the view Aqua lent irresponsibly. As Mr O 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 O 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 Mr O's application above. Whilst I can see Mr O had a default on his credit file in February 2018, I think it's fair to note it was over four years old at the time. And Mr O's credit file showed no other adverse credit, payday loans or recent missed payments. In addition, Mr O's other outstanding debts were very low.

I'm satisfied the figures Aqua used when completing its affordability assessment were reasonable and that the income figure it used reflected Mr O's circumstances. Having considered the available information, I'm satisfied the level and nature of the checks Aqua carried out were reasonably and proportionate to the £450 credit limit it went on to approve. And I'm satisfied the decision to approve Mr O's application was reasonable based on the information Aqua obtained. I'm sorry to disappoint Mr O but I haven't been persuaded that Aqua lent irresponsibly when it approved his credit card application.

Before approving CLI1 Aqua checked Mr O's account history and credit file. I can see an overlimit payment fee was applied to Mr O's account in June 2018. But Mr O's credit card was well managed aside from that with the balance generally well below the credit limit with payments in excess of the minimum being made at times. Mr O's credit file showed no new defaults, adverse credit or missed payments. And whilst Mr O's unsecured debts had increased, he owed around £1,000 in the month before the credit limit increase. Overall, I'm satisfied that Aqua's checks were reasonable and sufficient to show Mr O was able to sustainably afford a credit limit of £1,350 in August 2018.

I'm going to deal with CLIs 2-4 together as the approach followed by Aqua was consistent throughout and Mr O's position appears to have been stable. Before approving each credit limit increase, Aqua again checked Mr O's account use and credit file. I note no new adverse credit, defaults, payday loans or missed payments were found. Mr O's other unsecured debts remained reasonably stable with an outstanding balance of around £1,500 in the month before CLI4 being approved. Aqua used a service provided by the credit reference agencies known as CATO to get a picture of Mr O's income. And Aqua continued to apply estimates for Mr O's regular outgoings, in addition to his other debts, when considering affordability. On each occasion, Aqua reached the view that Mr O had at least £1,200 a month available as an estimated disposable income after meeting his existing outgoings.

I can see Mr O did incur some late and overlimit fees with Aqua and also used his credit card for money transfers. But the level of those fees was reasonably low and not to the point where I'd consider Aqua would've had to take the view that Mr O was experiencing financial

difficulties. Overall, I thought Mr O's account was well maintained. Taking all the available information into account, I'm satisfied Aqua carried out the relevant proportionate lending checks before approving CLIs 2-4. And I'm satisfied the decisions to approve CLIs 2-4 were reasonable based on the information Aqua obtained. I haven't been persuaded that Aqua lent irresponsibly.

By CLI5 Mr O's circumstances appear to have changed somewhat. In August 2021, Mr O had a mortgage and his unsecured debts had increased to around £4,500. With that said, the CATO service returned a higher income figure for Mr O of £2,482 a month. I can see Aqua took Mr O's unsecured and mortgage payments into account when considering whether to approve CLI5. And Aqua applied updated general living estimates to the affordability calculations it completed. I've looked at Mr O's account history and can find no evidence of overlimit or late fees in the preceding six months. No new adverse credit, recent missed payments or payday loans were picked up on Mr O's credit file either. Aqua calculated that Mr O had an estimated disposable income of £1,459 a month after meeting his existing outgoings and I'm satisfied that was a reasonable conclusion to reach.

In my view, Aqua carried out reasonable and proportionate checks before approving the final credit limit. And I'm satisfied the decision to approve the credit limit increase to £7,800 in August 2021 was reasonable based on the information Aqua obtained. I'm very sorry to disappoint Mr O but I haven't been persuaded that Aqua lent irresponsibly when increasing his credit limit.

In response to our investigator Mr O explained he was gambling heavily during this period which was reflected in his bank statements. I take Mr O's point, but as I haven't found grounds to say Aqua should've carried out more detailed checks, like reviewing his bank statements, before approving the credit limits it wouldn't have been aware of his history of gambling. And I didn't see anything in the information Aqua used that would've indicated Mr O was gambling heavily.

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 O 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 O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 15 July 2025.

Marco Manente
Ombudsman