

The complaint

Mr A 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 A applied for a credit card with Aqua in August 2016. In his application, Mr A said he was earning £15,000 a year. Aqua carried out a credit search and found no evidence of adverse credit or recent missed payments. The credit file results found Mr A owed £52,000 in other unsecured debt and was making monthly repayments of £747. Aqua went on to approve Mr A's application and issued a credit card with a limit of £300.

Aqua went on to increase the credit limit as follows:

Event	Date	Limit
App	Aug-16	£300
CLI1	Mar-17	£1,300
CLI2	Jan-19	£2,100
CLI3	Jul-19	£2,950
CLI4	Aug-20	£3,850
CLI5	Aug-21	£5,350
CLI6	Jan-22	£6,700

Last year, representatives acting on Mr A's behalf complained that Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before approving Mr A's application and didn't uphold his complaint.

An investigator at this service looked at Mr A's complaint and upheld it. They thought the fact that Mr A owed 347% of his annual income and was already making monthly repayments of £747 should've caused Aqua to carry out more detailed lending checks. The investigator reviewed Mr A's bank statements for the months before his application and found Mr A had less than £100 a month available after covering his existing bills and debts. The investigator upheld Mr A's complaint and asked Aqua to refund all interest, fees and charges applied from the date of approval.

Aqua didn't respond to the investigator's view of Mr A's complaint so it's 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 A 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.

Due to the passage of time, there is limited information available in terms of the lending checks Aqua completed when looking at Mr A's application. But we do know Mr A gave an income of £15,000 and that Aqua found he had existing unsecured debts of over £52,000. Aqua found Mr A was already making monthly repayments of £747 towards those debts. I think it's arguable that finding an applicant already owed three and a half times their annual income in unsecured debt could be a reason to decline to proceed altogether on the basis they were already overcommitted. As a minimum I'd have expected Aqua to go further in its lending checks to verify whether Mr A could afford repayments to a new credit card in addition to his existing commitments.

One option available to Aqua would've been to look at Mr A's bank statements to get a clearer picture of his circumstances. That's the approach I've taken. As our investigator has said, Mr A's regular income was around £940 a month in his bank statements. Mr A's regular outgoings came to around £850 a month. Mr A's bank statements show various returned direct debits due to insufficient funds. I'm satisfied Mr A's bank statement show he was already overcommitted at the point of application. In my view, if Aqua had completed better lending checks, it's more likely than not it would've taken the decision to reject his application and decline to lend. As a result, I'm upholding Mr A's complaint and directing Aqua to refund all interest, fees and charges applied to the account from the date of approval.

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, I'm satisfied the redress I have directed below results in fair compensation for Mr A in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mr A's complaint and direct NewDay Ltd trading as Aqua to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr A along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NewDay should also remove all adverse information regarding this account from Mr A's credit file.

- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Mr A for the remaining amount. Once Mr A has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

If NewDay has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires NewDay to deduct tax from any award of interest. It must give Mr A a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 August 2025.

Marco Manente
Ombudsman