

The complaint

Miss H complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Miss H applied for an Aqua credit card in September 2022. In her application, Miss H said she was earning £15,000 a year that Aqua calculated left her with £1,193 a month after deductions. Aqua applied estimates for Miss M's general living expenses of £534 a month to the application. A credit search found Miss H had incurred a County Court Judgement and defaults around three years before her application. Miss H had existing debts of around £5,800 and was making monthly repayments of £185. Miss H's mortgage with monthly repayments of £139 was also found. Miss H's credit file shows she had a missed mortgage payment in the previous 12 months.

Aqua applied its lending criteria and approved Miss H's application, issuing a credit card with a limit of £1,200. Aqua went on to increase the credit limit to £1,950 in May 2023.

Last year, representatives acting on Miss H's behalf complained that Aqua lent irresponsibly. Aqua issued a final response and said it had carried out the relevant lending checks before approving Miss H's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss H's complaint. They thought Aqua should've taken a more thorough approach to the application and credit limit, like reviewing Miss H's bank statements. The investigator looked at Miss H's bank statements for the months before each lending decision but felt they showed she had sufficient disposable income to be able to sustainably afford repayments to the credit card. The investigator didn't uphold Miss H's complaint.

Miss H's representatives reviewed the income and expenditure assessment completed by the investigator and submitted their own version that they said showed she wasn't able to afford the credit card or credit limit increase. As Miss H'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 or increasing the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Miss H 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 when considering Miss H's application above. I note that Aqua found Miss H had a County Court Judgement and defaults on her credit file. In addition, the available credit file information shows Miss H had a history of arrears on her mortgage. On balance, I think it would've been proportionate for Aqua to have considered taking additional steps before approving Miss H's application. One option available would've been to review Miss H's bank statements for the preceding months to get a clearer picture of Miss H's circumstances.

I've looked at the income and expenditure assessment completed by the investigator and the one completed by Miss H's representatives. I'll start by saying that I broadly agree with the figures included in Miss H's representatives income and expenditure assessment in terms of the outgoings. But I think the income figures used fail to reflect regular payments Miss H was receiving from a third party towards rent and food in addition to her other income. Those payments are reasonably consistent each month and averaged at £383 a month. When including that income, Miss H had an average income of £2,232 a month before her application. And Miss H's average outgoings came to £1,769. That means Miss H had an average disposable income of around £460 a month after covering her existing outgoings and items like food and fuel. I'm satisfied that figure was sufficient to sustainably afford a credit card with a £1,200 limit.

In my view, if Aqua had carried out more detailed lending checks like reviewing Miss H's bank statements it's more likely than not it would've still approved her application and issued a credit card with a £1,200 limit.

I've taken the same approach when looking at the credit limit increase to £1,950 in May 2023. Miss H's average income was £1,727 a month. And Miss H's regular outgoings came to an average of £1,493 a month. That left Miss H with an average disposable income of £233 once her existing outgoings were met. In my view, Miss H's bank statements show she had sufficient disposable income to sustainably afford a credit limit increase of £750 taking it to £1,950 in May 2023. It follows that I think it's more likely than not that if Aqua had carried out more detailed lending checks, like reviewing Miss H's bank statements, it would've still approved her credit limit increase.

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 H 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.

I'm very sorry to disappoint Miss H but for the reasons I've noted above I haven't been persuaded that Aqua lent irresponsibly or otherwise treated her unfairly. As a result, I haven't been persuaded to uphold Miss H's complaint.

My final decision

My decision is that I don't uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 19 August 2025.

Marco Manente
Ombudsman