

The complaint

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

What happened

Ms B applied for an Aqua credit card in April 2020. In her application, Ms B said she had an annual income of £22,000 that Aqua calculated left her with £1,415 a month after deductions. Aqua applied estimates for Ms B's regular outgoings for items like housing and living expenses to the application. Aqua also carried out a credit search and found Ms B had existing debts totalling £4,635 with monthly repayments of £302. No adverse credit, defaults or recent missed payments were found on Ms B's credit file. Aqua applied its lending criteria and carried out an affordability assessment. Aqua says Ms B had an estimated disposable income of £483 a month after meeting her existing outgoings and commitments. Aqua approved Ms B's application and issued a credit card with a £1,200 limit.

Ms B used her credit card and Aqua went on to increase the credit limit to £2,200 in August 2020 and £3,000 in January 2021. In July 2022 the credit limit was reduced to £1,500.

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

An investigator at this service looked at Ms B's complaint. They thought Aqua had carried out reasonable and proportionate checks before lending to Ms B and weren't persuaded it lent irresponsibly. Ms B asked to appeal, so 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 Ms B 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 considered when assessing Ms B's application above. I can see that Ms B gave her income as £22,000 and that Aqua applied reasonable estimates for her regular outgoings to the application – an approach it's allowed to take under the relevant lending rules. The credit search results showed Ms B's existing commitments were well maintained with no recent arrears, defaults or other adverse information noted. Ms B already owed around £4,635 in other outstanding credit and I'm satisfied the credit file results didn't show any evidence of financial difficulties. After applying its affordability criteria, Aqua reached the view Ms B had a disposable income of £483 a month after covering her existing outgoings. I think that was sufficient for Ms B to be able to sustainably afford repayments to a new credit card with a limit of £1,200.

In my view, Aqua carried out reasonable and proportionate lending checks before approving Ms B's application. And I'm satisfied the decision to approve Ms B's application was reasonable based on the information Aqua obtained. I'm very sorry to disappoint Ms B but I haven't been persuaded that Aqua lent irresponsibly when it approved her application.

I've looked at the credit limit increases Aqua went on to approve. I can see that on both occasions Aqua used a service provided by the credit reference agencies to get a picture of Ms B's income and found it was in line with the figure noted in her application. In addition, Aqua applied further estimates for Ms B's regular outgoings to its lending assessments. Ms B's credit file shows that she'd taken a new loan in between her application and the first credit limit increase which increased her outgoings. But the loan appears to have been quickly repaid with Ms B's unsecured debt reducing to £2,938 in the period before the second credit limit increase in January 2021.

I can see Ms B did incur two overlimit fees but the account was quickly brought back up to date by Ms B. And I note there were occasions where Ms B used her credit card for money transfers and cash withdrawals. But this type of transaction wasn't common and not something I'd have expected to cause a barrier for Aqua to lend further.

Aqua completed credit searches and checked Ms B's account history as well as carrying out new affordability assessments before increasing the credit limit. On both occasions, Aqua found Ms B's disposable income was sufficient to sustainably afford the credit limit increases. In my view, the checks Aqua carried out before increasing Ms B's credit limit were proportionate to the amount and type of credit it went on to approve. And I'm satisfied that the decision to lend to Ms B was reasonable based on the information Aqua obtained. I'm very sorry to disappoint Ms B but for the reasons I've noted above, I haven't been persuaded that Aqua lent irresponsibly. As a result, I'm unable to uphold Ms B's 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 Ms B 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.

My final decision

My decision is that I don't uphold Ms B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or

reject my decision before 26 August 2025.

Marco Manente
Ombudsman