

The complaint

Miss T complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved two credit card applications she made and increased the limit on one of the accounts.

What happened

Miss T first applied for an Aqua credit card in May 2014 (card 1). The application was approved by Aqua and a credit card was issued with a limit of £450. Miss T used the credit card and Aqua went on to increase the limit in stages until November 2018 when it reached £5,650. Miss T repaid the outstanding balance in early 2020 and the account was closed a short time later.

Miss T applied for a new Aqua credit card in February 2025 (card 2). In her application, Miss T gave an income of £66,040 that Aqua calculated left her with £4,071 a month after deductions. Aqua carried out a credit search and found Miss T had existing unsecured debts totalling £54,113 with monthly repayments of £2,255. No defaults, adverse credit or recent missed payments were noted on Miss T's credit file. Aqua completed an affordability assessment using estimates of £625 a month for Miss T's rent and £589 for her general living expenses. Aqua applied its lending criteria and says Miss T had a disposable income of £496 a month after covering her existing outgoings. Aqua approved the application and issued a credit card with a £1,200 limit.

More recently, representatives acting on Miss T's behalf complained that Aqua lent irresponsibly but it's not clear from the complaint file whether a final response was ever issued.

Miss T's complaint was referred to this service and passed to an investigator who asked Aqua for its case file. Within its submission, Aqua said it had taken the opportunity to review the credit card opened in May 2014 and wanted to make an offer. Aqua said it wanted to refund all interest, fees and charges applied from the date of approval. Aqua calculated the refund at £5,285.99 in returned interest and £1,983.62 in additional interest. But Aqua remained of the view card 2 opened in February 2025 was reasonably approved.

Our investigator thought Aqua's offer in relation to card 1 was fair and didn't ask it to take any further action. The investigator upheld Miss T's complaint about card 2. They thought that whilst Miss T had no adverse credit or recent missed payments the level of her existing unsecured debts and large monthly repayments required showed she was already at capacity in terms of her borrowing. The investigator thought Aqua lent irresponsibly when it approved card 2 and asked it to refund all interest, fees and charges applied to the account from the date of approved.

Aqua didn't agree and said that when compared against Miss T's income her debts weren't high and that their disposable income of £496 was sufficient to sustainably afford a new credit card with a limit of £1,200. Aqua also said Miss T had taken advantage of a 0% promotional balance transfer rate so no interest had been applied to her account.

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 T 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'll start by looking at card 1. I can see Aqua has already agreed it lent irresponsibly when it approved card 1 and increased the limit on seven occasions. As a result, Aqua agreed to refund all the interest, fees and charges applied against card 1 from the date of approval. Aqua also agreed to amend Miss T's credit file to remove any adverse information recorded about card 1. That's very much in line with what I would've told Aqua to do if I'd upheld this part of Miss T's complaint. As Miss T's representatives have confirmed she's willing to accept this part of the settlement and I'm satisfied it's fair and reasonable in all the circumstances I'm not going to tell Aqua to amend the award it's agreed to make.

In terms of card 2, I agree with the conclusions reached by the investigator. Whilst I can see Aqua reached the conclusion Miss T had £496 a month left after covering her outgoings, her existing unsecured debt level was very high at £54,113. Even compared against Miss T's declared income of £66,040 Miss T's existing debts stood at around 82% of her gross income. From Miss T's remaining income of £496 a month, she would've needed to make repayments to reduce her other unsecured debts, much of which was held by way of revolving credit. In my opinion, Miss T's existing debts and monthly repayments were already very high, to the point where I think Aqua's decision to approve further borrowing was irresponsible.

Aqua's confirmed that card 2 has been restricted for new spending. And it's also confirmed that because Miss T used a balance transfer promotion no interest was charged against the outstanding balance. But I can see a balance transfer fee was applied to Miss T's account and that she also used it for retail spending in May 2025. Whilst Aqua has confirmed the balance transfer didn't attract interest, it's not clear whether the retail spending did or not. And, in this case, I also think it's important for Aqua to agree an affordable repayment plan with Miss T to ensure the outstanding balance can be repaid in a sustainable way. So I'm going to proceed in line with the settlement reach by the investigator in their view.

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 Miss T in the circumstances of her 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 Miss T's complaint and direct NewDay Ltd trading as Aqua to settle as follows for both accounts:

- 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 Miss T 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 Miss T's credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Miss T for the remaining amount. Once Miss T has cleared the balance, any adverse information in relation to the account should be removed from their 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 Miss T a certificate showing how much tax has been taken off if she 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 Miss T to accept or reject my decision before 24 October 2025.

Marco Manente
Ombudsman