

The complaint

Mr Z complains that Nationwide irresponsibly lent to him.

What happened

In March 2021 Mr Z applied for a credit card with NewDay Ltd trading as Aqua (Aqua). Aqua granted the credit and the below credit limit increases (CLI), and one decrease, occurred over the following four years.

Date	Credit Type	Amount	Interest Rate
28/03/2021	Application (Credit Card)	£1,200	32.9%
27/07/2021	CLI1 (Credit Limit Increase)	£2,200	32.9%
28/03/2021	CLI2	£3,200	32.9%
15/06/2023	CLD (Credit Limit Decrease)	£2,300	46.7%
15/11/2023	CLI3	£3,300	47.1%
16/06/2024	CLI4	£4,300	47.1%
15/10/2024	CLI5	£5,550	46.7%
16/02/2025	CLI6	£6,800	46%

In May 2025, Mr Z complained to Aqua. He felt it had provided rising credit availability which encouraged higher borrowing. He believed that because it “did not perform robust affordability assessments” to establish his actual income, expenditure, and financial health, it was not possible for him to repay the credit, creating a debt spiral which he is struggling to manage.

Aqua said it used information provided by Mr Z at application, automated affordability checks, information held internally, and information from external Credit Reference Agencies (CRAs) to calculate Mr Z’s monthly disposable income. It concluded his disposable income was adequate to cover 2.5 times the interest of any credit limit available to Mr Z if that credit was utilised. Mr Z disagreed, so referred his complaint to our Service.

An investigator reviewed the complaint, and their view was that reasonable and proportionate checks had been completed up to CLI2 and that repayments appeared affordable. However, they felt checks for CLI3 to CLI6 were not reasonable or proportionate. The investigator went on to use Mr Z’s current account statements from the time, to establish whether CLI3 to CLI6 would have been affordable – he concluded that they were not.

Both parties responded to the opinion – agreeing on the investigator’s view regarding the application, CLI1 and CLI2. However, Aqua did not agree with the view regarding CLI3 to CLI6. Aqua remained of the opinion that the information available to it showed a disposable income which did not warrant further checks on their part and that the credit was affordable.

Because an agreement could not be reached, the complaint has been passed to me to decide.

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.

As all parties agreed on the approach to the application, CLI1 and CLI2, I won't comment on these and will focus only on CLI3 to CLI6 – where Aqua are disputing the investigator's findings. For the avoidance of any doubt, I agree with what the investigator said.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when reviewing Mr Z's complaint. There are several questions I have thought about when deciding if Aqua treated Mr Z fairly and reasonably when it provided him with CLI3 to CLI6.

- Did the lender complete reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, was a fair lending decision made?
- If reasonable and proportionate checks weren't carried out, what would reasonable and proportionate checks more likely than not have shown?
- Did the lender act unfairly or unreasonably in some other way?

CLI3

It is certainly arguable, that the checks Aqua carried out at the time of CLI3 were proportionate. It checked Mr Z's income, estimated his outgoings, and carried out a credit check. And on the face of it, if we focus on the credit limit increases, this was only a £100 increase since CLI2.

However, two full years had elapsed since CLI2, Mr Z's interest had increased from 32.9% to 47.1%, and his revolving debt had increased from £554 in November 2021 to £4,577 in November 2023. There was a marked increase in Mr Z's risk exposure and the very real potential that his cost-of-living expenses and rental commitments had changed over the course of two years. As such, I would have expected Aqua to obtain more information at this stage to verify whether Mr Z would be able to afford repayments if he were to spend the entire credit available to him.

Whilst there is no set list of checks a business must carry out before lending, it must satisfy itself that any credit given is affordable for the consumer on a sustainable basis. To do that, it must obtain a reasonable understanding of the consumer's financial circumstances. Generally, this would be obtaining verbal or written confirmation of outgoings directly from the consumer or obtaining bank statements for a few months prior to the application as our investigator did in this case.

Obtaining and reviewing bank statements for that time provides us with a financial snapshot of the period in question and allows us to assess what the lender would likely have found out had it obtained more information. We can then decide whether the lender might have arrived at a different outcome had it been privy to this information.

Having looked at the bank statements leading up to CLI3, I have also concluded that Mr Z did not have sufficient disposable income to cover repayments if the entire credit was utilised.

Mr Z declared his annual income as £40,000 in March 2021 and up until CLI3, his net monthly salary of around £2,300 appeared to support this. So, I'm comfortable that Aqua would have found their income assessment to be accurate had they verified Mr Z's income.

However, when reviewing Mr Z's outgoings, I saw that his rent was £1,500 - more than three times Aqua's estimate of £490. His utilities alone came to £450, and his loan repayment was £242. Going no further than this and not including Mr Z's other credit repayments or living expenses such as fuel, Mr Z's disposable income was £108, so the repayments for CLI3 were clearly not affordable.

Aqua should have obtained this information due to Mr Z's changing financial position and the time elapsed between the increases. And had it obtained this information, I don't believe it would have increased his credit limit.

CLI4, CLI5, CLI6

It usually follows that if one credit limit increase was unaffordable, any following increases would also be unaffordable. Rather than assume, I reviewed the information available to ensure there were no material changes to Mr Z's circumstances that would change the outlook of his financial position. Mr Z's income reduced during this time by around £200, his rent increased by £200 per month, and his revolving debt increased by around £4,000, so it's fair to say his financial position had, in fact, worsened. Again, Aqua should have obtained more information to verify whether Mr Z would be able to afford repayments if he were to spend the entire credit available to him.

With the decrease in salary, rising revolving debt, and living costs that were significantly higher than estimated, CLI4, CLI5, and CLI6 were also not affordable. Again, had Aqua obtained a full picture of Mr Z's financial position at any of these points, I suspect they would not have continued increasing his available credit.

With the above in mind, it is my opinion that Aqua did not conduct reasonable or proportionate checks from CL3 to CLI6, did not consider the type and total value of Mr Z's debt deeply enough, and that providing more credit was irresponsible.

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 Z 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.

Putting things right

As Mr Z has had the benefit of the money lent to him it is fair in this instance that he should repay the capital borrowed, but he has also paid interest and charges on increases that should not have been given.

Therefore, Aqua should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £2,300 after November 2023

- If the rework results in a credit balance, this should be refunded to Mr Z along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. Aqua should also remove all adverse information recorded after November 2023 regarding this account from Mr Z's credit file
- Or, if after the rework an outstanding balance remains, Aqua should arrange an affordable repayment plan with Mr Z for the remaining amount. Once Mr Z has cleared the outstanding balance, any adverse information recorded after November 2023 in relation to the account should be removed from his credit file

*HM Revenue & Customs may require Aqua to take off tax from this interest. If it does, Aqua must give Mr Z a certificate showing how much tax it's taken off. If it intends to apply any refund to reduce the capital balance outstanding it must do so after deducting the tax.

My final decision

My final decision is that I intend to uphold Mr Z's complaint and direct Aqua to settle as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 25 March 2026.

Caroline Oliver
Ombudsman