

## **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 June 2021. In her application, Miss H said she was employed with an income of £17,500. Aqua carried out a credit search and found Miss H already owed around £36,000. No adverse credit, defaults or recent missed payments were noted. Aqua approved Miss H's application and issued a credit card with a limit of £900.

Miss H used her credit card and Aqua went on to increase the credit limit to £1,900 in November 2021, £3,150 in April 2022 and £4,150 in July 2023.

More recently, Miss H 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 upheld Miss H's complaint. They thought the information available to Aqua should've caused it to carry out better lending checks. When the investigator reviewed Miss H's bank statements they found her monthly debt repayments were already very high and upheld her complaint. When no response was received from Aqua the investigator sent copies of the bank statements they'd used when considering Miss H's case. Despite that, no further response was received from Aqua so Miss H's 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.

Aqua's supplied evidence of the lending checks completed in June 2021. But I note no affordability calculations or credit scoring evidence has been supplied. And whilst I can see the credit search results Aqua obtained, I note Miss H gave an annual income of £17,500 and already owed more than twice that amount at £36,000 in other unsecured debts. Given the lack of affordability checks, modest income and very high unsecured debt levels when compared with her income, I think there's a reasonable argument to say that information in itself ought to have been sufficient to cause Aqua to decline the application.

With the above said, I'm not persuaded reasonable and proportionate lending checks were completed so I've also reviewed Miss H's bank statements for the months before her application was made to get a clearer picture of her circumstances. I found Miss H's average income was £1,355 and her average outgoings came to £1,255. That means Miss H only had around £100 remaining to cover her remaining living expenses and any unexpected or emergency expenses that may've arisen. And given Miss H already owed around £36,000 she will've had to find funds to ensure her existing debts could be repaid in a reasonable timeframe in addition to any new lending by Aqua. My view is that better lending checks, like reviewing Miss H's bank statements, would most likely have led Aqua to decline her application.

For the reasons I've given above I'm upholding Miss H's complaint and directing Aqua to settle by refunding all interest, fees and charges applied to her credit card 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 Miss H 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 H'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 Miss H 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 H's credit file.
- Or, if after the rework there is still an outstanding balance, NewDay should arrange an affordable repayment plan with Miss H for the remaining amount. Once Miss H 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 H 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 H to accept or reject my decision before 21 October 2025.

Marco Manente  
**Ombudsman**