

## **The complaint**

Miss M 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 M applied for an Aqua credit card in May 2021. In the application, Miss M said she was earning £15,000 a year that Aqua calculated left her with £1,193 a month. Aqua carried out a credit search and found Miss M had a County Court Judgement (CCJ) that was 47 months old and defaults, the newest of which were 26 months old. The credit file showed Miss M was making monthly repayments of around £154 to her existing creditors with no evidence of any recent missed payments. Aqua applied estimates for Miss M's housing costs and general living expenses totalling £629 a month. Aqua applied its lending criteria and says Miss M had an estimated disposable income of £310 a month after covering her regular outgoings. Aqua approved Miss M's application and issued a credit card with a limit of £450.

Aqua went on to increase the credit limit to £1,450 in December 2023 and £2,450 in May 2024.

Miss M's explained that she the pressure of repayments she was making to Aqua caused financial difficulties and led to increased borrowing with other lenders. More recently, Miss M's told us she asked Aqua for help and it agreed a payment arrangement of £25 a month towards the outstanding balance.

Miss M went on to complain that Aqua lent irresponsibly and it issued a final response on 29 January 2025. Aqua said it carried out the relevant lending checks before approving Miss M's application and increasing her credit card's limit and didn't agree it lent irresponsibly. Aqua also provided information about services that can provide debt advice and assistance. Aqua added that Miss M's credit card had been closed to new spending after she advised she was experiencing financial difficulties. Aqua also said Miss M could its Customer Care team to obtain support.

An investigator at this service looked at Miss M's complaint. They thought Aqua should've carried out more detailed lending checks before approving Miss M's application and increasing her credit limit. The investigator reviewed Miss M's bank statements for the months preceding her application but felt that they showed Miss M had sufficient disposable income to sustainably afford the credit limits Aqua approved. The investigator wasn't persuaded Aqua lent irresponsibly and didn't uphold Miss M's complaint.

Miss M asked to appeal and said she remained of the view that Aqua had failed to carry out the necessary checks before lending. Miss M also said Aqua had failed to provide support while she was experiencing financial difficulties. As Miss M 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 M 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 considered the information Aqua had available when Miss M applied for her credit card. I note that whilst there were no recent missed payments on Mr M's credit file, she had several defaults and a CCJ recorded. In my view, it would've been reasonable for Aqua to have considered a more detailed approach to Miss M's application before deciding whether to lend. One option available would've been to review Miss M's bank statements for the preceding months to get a clearer picture of her circumstances. That's the approach I've taken here.

Miss M's bank statements show that in the months before her application she was receiving benefit income that came to an average of £974 a month. I looked at Miss M's regular outgoings for items like food, fuel, utilities, insurance and other childcare. Miss M's average outgoings came to an average of £676 a month. That means Miss M had around £298 a month left after covering her existing outgoings and commitments. I appreciate that was somewhat limited. But I think it's reasonable to note the initial credit limit Aqua approved was low at £450. In my view, whilst Miss M's disposable income was limited it was sufficient to sustainably cover repayments to a new credit card with a limit of £450. I'm satisfied it's more likely than not that Aqua would've still approved her application if it had carried out more detailed lending checks. I'm sorry to disappoint Miss M but I haven't been persuaded that Aqua lent irresponsibly when it approved her application and issued a credit card with a £450 limit.

There were no credit limit increases for over two years after Miss M opened her credit card. The credit limit was increased to £1,450 in December 2023. Miss M has sent us her bank statements for the three months before the credit limit increase. It appears to me that by this time, Miss M's circumstances had changed. Miss M was receiving regular employed income in addition to benefits. In the three months before the credit limit increase, Miss M's income averaged £2,290. Miss M's outgoings came to an average of £1,187 a month. That left Miss M with around £1,100 a month after her existing commitments and outgoings were met. In my view, Miss M's bank account was well maintained with no obvious signs she was struggling or overcommitted.

Whilst I agree that Aqua's lending checks didn't go far enough, I think it's most likely that Aqua would've still increased Miss M's credit limit if it had carried out better lending checks before increasing the credit limit to £1,450. I'm sorry to disappoint Miss M but I haven't been

persuaded that Aqua lent irresponsibly when it increased her credit limit to £1,450 in December 2023.

The final credit limit increase was approved in May 2024. Again, I've reviewed Miss M's bank statements for the three months before the credit limit increase. Miss M's income averaged £2,445 a month for the three months I looked at. And Miss M's commitments, regular outgoings and spending on items like food and fuel averaged £1,506 a month. That left Miss M with around £939 a month available after covering her regular outgoings and commitments. Overall, I'm satisfied that Miss M's bank statements show she was able to sustainably afford repayments to the increased credit limit of £2,450. I'm very sorry to disappoint Miss M but I'm satisfied it's more likely than not that Aqua would've still approved the credit limit increase if it had carried out more detailed lending checks. As a result, I haven't been persuaded Aqua lent irresponsibly.

Miss M's also told us Aqua failed to provide reasonable support when she experienced financial difficulties after the final credit limit increase. I've reviewed the contact notes, online chats and collections correspondence issued by Aqua. The first time I can see Miss M told Aqua she was struggling was in August 2024 when she explained she wanted to reduce the outstanding balance. Miss M used the online chat facility to enquire about reducing the interest rate so her repayments could be used to clear the balance. Aqua discussed the option of increasing Miss M's payments and agreed to suspend new spending on the credit card so the debt wouldn't increase further. Aqua also confirmed there were no 0% balance transfer options available for Miss M on 2 September 2024. The next time Miss M used the online chat facility with Aqua it was to raise the irresponsible lending complaint.

The contact notes show that in February 2025 Miss M discussed her circumstances with Aqua and an income and expenditure assessment was completed. A payment arrangement to accept reduced payments of £25 a month was agreed and confirmed by Aqua on 19 February 2025. In my view, by agreeing an arrangement to accept lower payments Aqua was taking Miss M's circumstances into account which was a fair approach.

I appreciate the account defaulted a short time later, but that meant interest was no longer applicable so any repayments made from that point would be used in full to help reduce the balance. And the income and expenditure assessment showed Miss M didn't have sufficient disposable income at the time to cover her standard monthly payment. I'm very sorry to disappoint Miss M but I haven't been persuaded Aqua treated her unfairly after she contacted it to say she struggling with repayments to her credit card.

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 M 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 Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 22 October 2025.

Marco Manente  
**Ombudsman**

