

The complaint

Mr P complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr P applied for an Aqua credit card in March 2019. In his application, Mr P gave an annual income of £12,989 that Aqua calculated left him with £974 a month after deductions. Aqua carried out a credit search and found Mr P had no existing debts. No adverse credit, defaults or recent missed payments were found on Mr P's credit file. Aqua used estimates of £192 a month for Mr P's rent and £408 a month for his general living expenses. After applying its lending criteria, Aqua says Mr P had a disposable income of £373 a month. Aqua approved Mr P's application and issued a credit card with a limit of £450.

Mr P used his credit card and Aqua went on to increase the credit limit as follows:

Event	Date	Limit
App	Mar-19	£450
CLI1	Jan-20	£1,700
CLI2	Sep-20	£2,700
CLI3	Mar-21	£4,200
CLI4	Jul-21	£5,200
CLI5	Nov-21	£6,700

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

An investigator at this service looked at Mr P's complaint. They thought Aqua's initial decision to approve Mr P's application was reasonable based on the information it obtained. But the investigator thought Aqua should've carried out better checks, like reviewing Mr P's bank statements, before increasing his credit limit. The investigator looked at Mr P's bank statements but felt they weren't able to reach a reasonable conclusion in terms of Mr P's regular income and outgoings. As a result, the investigator wasn't persuaded to uphold Mr P's complaint.

Mr P asked to appeal and made a number of points. In short, Mr P said he remained of the view the lending checks completed before the credit limit increases fell short and that his complaint should be upheld. As Mr P asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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 Mr P 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 application information Aqua used above when deciding whether to lend to Mr P. I can see Mr P gave his income and Aqua applied reasonable estimates for his regular outgoings. Mr P's credit file showed no outstanding credit with other lenders and no evidence of adverse credit or missed payments. Aqua's affordability assessment reached the view Mr P had a disposable income of £373 a month which was sufficient to sustainably afford repayments to a credit card with a limit of £450.

I think the fact Mr P had no other debts and a clear credit file shows he was in a stable position at the time. And the initial credit limit of £450 was low reducing the potential for financial harm. Taking all the available information together, I'm satisfied Aqua completed proportionate checks and its decision to approve Mr P's application was reasonable based on the information it obtained. I'm sorry to disappoint Mr P but I haven't been persuaded Aqua lent irresponsibly when it approved his application.

I've reached a different view to the investigator concerning the credit limit increases Aqua went on to approve. I can see from the lending data Aqua provided it used a service provided by the credit reference agencies (CATO) to get an idea of Mr P's income at the time. That returned a figure of £565 a month, nearly half Mr P's previously declared income. In addition, whilst I can see an allowance of £285 a month was used for Mr P's general living expenses, I see no reason that figure would've reduced from the figure of £408 used in the application less than a year before. Further, no allowance was made for Mr P's rent, despite a figure of £192 being used in the original application. I'm not persuaded that was reasonable. I also think it's fair to note the credit limit increase from £450 to £1,700 was substantial which increased the risk of financial harm to Mr P.

I've used the rent figure of £192 a month Aqua applied to the original application when considering CLI1. Aqua reached the view Mr P had £276 available a month after covering his outgoings when considering CLI1. But if I apply the £192 rent figure to that amount, it only left Mr P with only £84 a month as a disposable income. Given the CATO income result was substantially lower than Mr P's initial income, it shows his circumstances had likely changed. I think it's arguable that if Aqua had completed better checks and included a rent

figure in its affordability calculations it would've found CLI1 was unaffordable. I'm satisfied there were certainly grounds for a more detailed set of lending checks before approving CLI1 in any case.

Mr P's provided statements from two banks covering the three months before CLI1. The bank statements show that whilst Mr P had few regular outgoings, he doesn't appear to have been working at the time. I found no evidence of regular earned income in the three months before CLI1 was approved. Mr P's account was funded by transfers from third parties but no earned income was received. In my view, if Aqua had reviewed Mr P's bank statements or verified his income level further it would've quickly found he wasn't working so unlikely to be able to support additional borrowing and declined to increase the credit limit. Overall, I haven't been persuaded Aqua lent responsibly when it approved CLI1 so I intend to uphold Mr P's complaint from that point and direct it to refund all interest, fees and charges applied to balances over £450 from January 2020 to date.

It follows that if I think the decision to approve CLI1 was unreasonable I think the same about the credit limit increases Aqua went on to approve.

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 P 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.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr P responded to confirm he's willing to accept and proceed in line with the provisional decision. We didn't hear back from Aqua.

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 no new information has been provided and Mr P's confirmed he's willing to accept, I see no reason to change the conclusions I reached in my provisional decision. I still think Mr P's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr P'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 to balances above £450 after January 2020.
- If the rework results in a credit balance, this should be refunded to Mr P 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 January 2020 regarding this account from Mr P's credit file.
- Or, if after the rework the outstanding balance still exceeds £450, Aqua should arrange an affordable repayment plan with Mr P for the remaining amount. Once Mr P has cleared the outstanding balance, any adverse information recorded after January 2020 in relation to the account should be removed from their credit file.

If Aqua 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 Aqua to deduct tax from any award of interest. It must give Mr P a certificate showing how much tax has been taken off if he 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 Mr P to accept or reject my decision before 28 October 2025.

Marco Manente
Ombudsman