

The complaint

Ms D complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the limit.

What happened

Ms D applied for an Aqua credit card in July 2022. In her application, Ms D said she had an annual income of £22,000 that Aqua calculated left her with £1,613 a month after deductions. A credit search found Ms D had existing debts of between £900 and £1,000 and was making monthly repayments of £77.50. Default information that was 31 months old was noted along with a missed payment in the previous six months. Aqua completed an affordability assessment using an estimate for Ms D's general living expenses of £492 a month in addition to her debt repayments. Aqua says Ms D had a disposable income of £1,043 a month after covering her existing outgoings. Aqua approved Ms D's application and issued a credit card with a limit of £600.

Ms D used the credit card and Aqua went on to increase the limit to £1,450 in December 2012.

Ms D's account later fell into arrears and the credit card was withdrawn. More recently, Ms D complained that Aqua lent irresponsibly and it issued a final response. Aqua didn't agree it lent irresponsibly when approving Ms D's application and issuing a credit card with a limit of £600. But Aqua accepted the decision to increase the credit limit to £1,450 wasn't reasonable and refunded all interest applied to balances over £600 from the date of approval.

An investigator at this service looked at Ms D's complaint. They thought Aqua had completed reasonable and proportionate checks before approving Ms D's application and didn't agree it lent irresponsibly. The investigator thought Aqua's decision to uphold Ms D's complaint about the credit limit increase was reasonable and that it had paid a fair level of compensation. Ms D asked to appeal, so 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 Ms D 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 information Aqua used when considering Ms D's application above. Ms D confirmed her income and Aqua calculated a net monthly figure of £1,613. Aqua's credit search found default information but it was 31 months old at the point of application so considered historic. And whilst I can see a missed payment noted in the preceding six months, Mr D's other debts were reasonably low and there were no active arrears at the time she applied to Aqua. Aqua's confirmed it's a *second chance lender* so accepts a degree of negative information found on an applicant's credit file. And I'm satisfied that Aqua was aware of the contents of Ms D's credit file and took the default and missed payment information into account when deciding whether to lend. As I've said, Ms D's debts of around £900 to £1,000 were reasonably low and I'm satisfied the monthly payments she was making towards them were factored into Aqua lending assessment.

Aqua completed an affordability assessment using Ms D's existing repayments and an estimate for her general living expenses of £492 a month – an approach it's allowed to take under the relevant lending rules. I'd normally expect to see an allowance for housing costs. But here I can see Aqua reached the view Ms D had around £1,043 a month remaining after covering her existing outgoings. Overall, I'm satisfied that would've left Ms D with sufficient funds to cover the housing costs she may've had and a new credit card with a limit of £600.

I think it's fair to say the initial credit limit of £600 was reasonably low when considered against Ms D's income and other debts. I haven't seen information that leads me to conclude Ms D was experiencing financial difficulties or unable to sustainably afford a new credit card with a limit of £600. Overall, I'm satisfied Aqua completed reasonable and proportionate checks before approving Ms D's application. And I'm satisfied the decision to approve Ms D's application and issue a credit card with a limit of £600 was reasonable based on the information that Aqua obtained. I'm sorry to disappoint Ms D but I haven't been persuaded Aqua lent irresponsibly when it approved her application.

Aqua has already upheld Ms D's complaint about the credit limit increase and agreed to refund all interest, fees and charges applied to balances over £600 from November 2022. Aqua also agreed to amend Ms D's credit file to remove any negative information recorded from November 2022 once the outstanding balance has been repaid. That's very much in line with what I would've told Aqua to do if I'd upheld Ms D's complaint and I'm satisfied it's a fair way to resolve her case. As I'm satisfied Aqua has already agreed a settlement that is fair and reasonable in all the circumstances I'm not telling it to do anything else.

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 Aqua has already agreed to pay results in fair compensation for Ms D 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 don't uphold Ms D's complaint because NewDay Ltd trading as Aqua has already agreed a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 28 October 2025.

Marco Manente
Ombudsman