

Complaint

Mr M has complained about a credit card and credit limit increases which NewDay Ltd (trading as “Aqua”) provided to him. He says that the credit card as well as the limit increases were irresponsibly provided as the credit was unaffordable for him.

Background

Aqua provided Mr M with a credit card, with a credit limit of £450, in October 2014. Mr M's credit limit was increased to the following amounts at the following time:

Date	Limit increase to:
February 2015	£650
September 2015	£1,550.00
June 2016	£2,550.00
May 2017	£3,800.00
November 2018	£5,300.00
March 2020	£7,050.00
May 2023	£8,000.00

In May 2024, Mr M complained to Aqua saying that his credit card as well as all of the limit increases had been provided irresponsibly. Aqua didn't uphold Mr M's complaint. In its view it carried out reasonable and proportionate checks which suggested that the credit card and the limit increases were affordable. Mr M remained dissatisfied and referred his complaint to our service.

One of our investigators reviewed what Mr M and Aqua had told us. And she thought that Aqua hadn't acted unfairly or unreasonably when providing the credit card or the first limit increase. However, it shouldn't have agreed to increase Mr M's credit limit from September 2015 onwards. So she recommended that Mr M's complaint be partially upheld.

Mr M agreed with the investigator's assessment. However, Aqua disagreed and asked for an ombudsman to look at the complaint.

My provisional decision of 15 September 2025

I issued a provisional decision – on 15 September 2025 - setting out why I wasn't intending to uphold Mr M's complaint.

In summary, I was satisfied that that proportionate checks wouldn't have prevented Aqua from providing this credit card and the subsequent limit increases to Mr M. Furthermore, I was persuaded that Mr M's pattern of borrowing meant that Aqua offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

Aqua's response to my provisional decision

Aqua didn't respond to my provisional decision or asked for any additional time in order to do so.

Mr M's response to my provisional decision

Mr M's representative confirmed receipt of my provisional decision and that it had been passed on. Subsequent to this I wasn't provided with any further comments or a request for any additional time to do so.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, including events since my provisional decision, I'm satisfied that Aqua didn't act unfairly or unreasonably when providing Mr M with a credit card or the subsequent credit limit increases. So I'm not upholding this complaint. I'll now explain why in a little more detail.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr M's complaint.

I think that it would be helpful for me to start by setting out that we consider what a firm did to check whether repayments to credit were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used.

It simply sets out the types of things that a lender could do. It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own meant that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances were we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I kept this in mind when deciding Mr M's complaint.

The parties' submissions

Aqua says it agreed to Mr M's initial application after it obtained information on his income and carried out credit searches. And in its view the information obtained would have indicated that Mr M would be able to make the monthly repayments due for this. Due to account being relatively well managed he was then offered the credit limit increases to the card.

On the other hand, Mr M says that he shouldn't have been lent to.

I've considered what the parties have said.

Aqua's decisions to provide Mr M with the credit card and the first two limit increases

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. This means that to start with Aqua was required to understand whether credit limits of £450, £650 and £1,550.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that credit limits of up to £1,550.00 didn't require especially large monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen that the investigator's assessment referred to monthly repayments of around £200 being required in order for £1,550.00 to be repaid within a reasonable period of time. However, it's important to note that the only guidance on a reasonable period of time, is contained in CONC 5.3.1G (8)(b)¹.

It states that a lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. I don't think that a consumer would have monthly repayments of £200 on a loan of £1,500.00. So I don't agree that Aqua needed to ensure that Mr M was able to make monthly repayments of £200 before providing the credit card or the first two limit increases.

I've seen records of the information Aqua obtained from Mr M about his income and what was on the credit search carried out. Aqua says that Mr M declared receiving an annual salary of £17,000.00. Aqua's credit search also appears to show that Mr M didn't have any significant adverse information recorded against him at the time either. For example, I can't see any defaulted accounts or county court judgments recorded.

Furthermore, Mr M didn't miss any payments in the period between the card being granted and the first two limit increases either. I note that our investigator has said that that amount Mr M owed elsewhere during this period had increased. This may be the case, but I don't think the amount Mr M owed elsewhere was concerning, or in itself meant that he shouldn't have been lent to.

So, in these circumstances, I don't think that it was unreasonable for Aqua to rely on what Mr M said about his income and what it had in relation to his expenditure, particularly in light of the not especially high monthly repayments he would be required to repay on balances of up to £1,550.00, within a reasonable period of time.

¹ This version of the rule was in place when Mr M was initially provided with his credit card and the first two limit increases in October 2014, February 2015 and September 2015.

As this is the case, I'm satisfied that the checks carried out before Mr M was initially provided with his Aqua credit card and the first two credit limit increases were reasonable and proportionate and Aqua didn't act unfairly when agreeing to provide Mr M with this credit.

Why I don't think that Aqua's checks before providing the limit increases from June 2016 onwards were reasonable and proportionate

It appears as though Aqua continued to rely upon Mr M continuing to manage his account well since it had been opened, prior to providing the remaining limit increases. It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to carry out reasonable enquiries to ensure that this doesn't happen.

In any event, when Mr M's credit limit was being increased for the third time, in June 2016, it was being increased to an amount in excess of £2,500.00. And this was approaching two years after the credit card had initially been provided. So not only was Mr M's credit limit being increased to an amount that required much chunkier repayments, there was a decent chance that the information that Aqua was entitled to rely on when it carried out its initial checks, may have been out of date.

In these circumstances, I would have expected Aqua to have found out more about Mr M's income and actual regular living expenses before providing the credit limit increases on this card from June 2016 onwards. As I can't see that Aqua did this, I don't think that the checks it carried out before it increased Mr M's credit limit on either of the occasions that it did between June 2016 and May 2023 were reasonable and proportionate.

Why I don't think that carrying out further checks would have prevented Aqua from providing the credit limit increases from June 2016 onwards

As I think that Aqua ought to have done more, I've gone on to decide what I think Aqua is more likely than not to have seen had it carried out further checks before providing the limit increases that it did from June 2016 onwards. As previously explained, given the circumstances, I would have expected Aqua to have had a reasonable understanding about Mr M's regular living expenses as well as his income and existing credit commitments before providing the limit increases that it did from June 2016.

I've considered the information Mr M has provided on his circumstances at the respective times. Having done so, I've not been persuaded that it clearly shows that Aqua attempting to find out further information about Mr M's actual living costs, rather than relying on assumptions like it did, would have made a difference here.

I say this because I've not seen anything that shows me that Mr M's committed regular living expenses, other non-discretionary expenditure and his existing credit commitments meant that he did not have the funds to make sustainable repayments to any combination of balances that could have been owed, as a result of having these limit increases, at the time that the credit was offered.

Indeed, the information provided shows that Mr M's main bank account always had a reasonable amount of funds in it – sometimes having significant credit balances. I'm satisfied that this information does not show me that Mr M was struggling as a result of making the repayments that made on this credit card. I think that this is important for two reasons. Firstly, Mr M's position elsewhere wasn't deteriorating. For example, I can see that Mr M had any defaulted accounts or CCJs recorded against him in this period.

Secondly and more importantly, I think that Mr M was managing this Aqua account well enough to suggest he could repay what he could owe within a reasonable amount of time as well. This is especially as Aqua was entitled to place some weight on the Mr M's operation of his account when determining whether to continue lending to him.

Indeed, I've noted that there were many occasions where Mr M made payments that were not only above the minimum he was required to pay, but were also well in excess of £1,000. For example, in October 2015, Mr M cleared his outstanding balance in full by making a payment of £675. In October 2016, he paid almost £1,500.00 in order to reduce his outstanding balance to around £375. Then in February 2018, Mr M made a payment of over £3,000.00 to reduce his balance to around £650 and in November 2018, Mr M made another payment of over £3,000.00 resulting in his balance reducing to an amount less than £100.

Finally, in December 2021, Mr M paid almost £6,800.00 to reduce his balance below £500. So Mr M's repayment record shows that this clearly isn't a case where a borrower was provided with all the credit that was provided to them and consistently had a balance that was at or remained close to the maximum they could owe.

I'm therefore satisfied that Mr M's repayment record coupled with the information that he's provided on his circumstances, indicates that proportionate checks would more likely than not have shown Aqua that Mr M could afford the limit increases that it provided from June 2016 onwards. I say this while also keeping in mind that my determination has been formed using copies of bank statements that Mr M has provided a number of years after the event and Aqua wasn't required to obtain bank statements from Mr M at the time it was making its lending decisions.

I do appreciate that Mr M may argue that it was, in itself, irresponsible to provide him with eight credit limit increases and that this is in itself a reason to uphold his complaint. However, these credit limit increases were offered over a period of eight and a half years. So this isn't a case where I can reasonably say that the limit increases and Mr M's account usage ought reasonably to have shown Aqua that Mr M's indebtedness, on his credit card, was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Aqua to conclude that the facility had become demonstrably unsustainable for Mr M either.

Having carefully considered everything and while I appreciate that this will disappoint Mr M, I've not been persuaded that proportionate checks would have shown that Aqua that it shouldn't have offered him an Aqua card or any of the credit limit increases. Furthermore, I don't think that Mr M's pattern of borrowing meant that Aqua offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

As this is the case, I'm not persuaded that Aqua acted unfairly or unreasonably towards Mr M and I'm not upholding this complaint.

In reaching my conclusions I've also considered whether the lending relationship between Aqua and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Aqua irresponsibly lent to Mr M or otherwise treated him unfairly in relation to the matters that I have considered. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear what Mr M has said about finding it difficult to make his credit card payments, I don't think that Aqua treated him unfairly or unreasonably when providing him with a credit card or increasing his credit limit on the occasions that it did. And I'm not upholding this complaint.

I appreciate this will be disappointing for Mr M – particularly as the investigator albeit erroneously concluded that the complaint should be upheld. But I hope he'll understand the reasons for my likely decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 15 September 2025, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 October 2025.

Jeshen Narayanan
Ombudsman