

The complaint

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

What happened

Mr A applied for an Aqua credit card in April 2024. In his application, Mr A gave an annual income of £39,000 that Aqua calculated left him with around £2,633 a month net. Aqua says it verified Mr A's income via a service provided by a credit reference agency known as CATO. A credit search found Mr A had existing debts of around £18,500 with monthly repayments of £638. No adverse credit, defaults or recent missed payments were noted on Mr A's credit file.

Aqua completed an affordability assessment using Mr A's net monthly income of £2,633 and deductions for his housing costs, general living expenses and existing debts. Aqua reached the view Mr A had a disposable income of around £1,418 a month. Aqua approved Mr A's application and issued a credit card with a limit of £1,200.

Mr A used the credit card and in August 2024 Aqua went on to increase the limit to £1,950. Aqua says it carried out a new affordability assessment and set of lending checks before approving the credit limit increase.

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

An investigator at this service looked at Mr A's complaint. They thought Aqua had completed proportionate checks before approving Mr A's application and increasing the limit and didn't agree it lent irresponsibly. Mr A asked to appeal, so his 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 Mr A 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 that Mr A provided when completing his Aqua application above. I can see Mr A's told us he thinks the reliance on CATO to verify his income wasn't reasonable. But Mr A confirmed his annual income of £39,000 in the application and Aqua's lending checks verified the net monthly income of £2,633. Given the verification tool confirmed the income figure Mr A provided, I'm satisfied it was reasonable for Aqua to rely on it when looking at Mr A's application.

As noted above, Aqua's credit search found no evidence of adverse credit or recent missed payments. Mr A's other unsecured debts were found and the monthly repayments were factored into Aqua's affordability assessment. I haven't seen anything on the credit file results that would've indicated to Aqua Mr A was struggling or experiencing financial difficulties when his application was made.

The affordability assessment used Mr A's income and made deductions for his housing costs and general living expenses based on estimates obtained from nationally recognised statistics – an approach it's allowed to take under the relevant lending rules. I haven't seen anything that leads me to conclude the use of estimates wasn't reasonable in the circumstances of Mr A's application. After completing the affordability assessment, Aqua reached the view Mr A had around £1,418 available after covering his existing outgoings. In my view, that was a reasonable conclusion following proportionate checks. I'm sorry to disappoint Mr A but I'm satisfied Aqua completed proportionate checks and its decision to proceed with his application was reasonable based on the information it found. I haven't been persuaded Aqua lent irresponsibly when it approved Mr A's application.

Before the credit limit increase was approved, Aqua looked at Mr A's account history. I can see all Mr A's payments were made on time and his balance remained within the credit limit. I haven't seen anything in the account history that I think should've caused Aqua to complete additional checks.

Mr A's credit file showed his unsecured debts had actually reduced by around £1,000 between his application being approved and credit limit increased. No new adverse credit or missed payments were noted on Mr A's credit file. In my view, Mr A's credit file indicated he was in a stable position.

A new affordability assessment was completed that again used CATO to help verify Mr A's income. The result gave a monthly income figure of £2,983, up slightly from the application. I'm satisfied the decision to rely on the CATO result was reasonable in the circumstances of Mr A's case. Aqua used new estimates for Mr A's housing costs and general living expenses which appear reasonable to me. Aqua also took the cost of Mr A's existing debts into account when completing its new affordability assessment. I can see Aqua calculated a disposable income of £1,478 a month, broadly in line with the application conclusions it reached. In my view, that was a reasonable conclusion based on the information Aqua obtained about Mr A.

I'm sorry to disappoint Mr A but I haven't been persuaded Aqua lent irresponsibly. In my view, Aqua completed proportionate checks before approving the credit limit increase and the decision to do so was reasonable based on the information it obtained.

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 Mr A or otherwise treated him 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 Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 February 2026.

Marco Manente
Ombudsman