

The complaint

Mr U complains that NewDay Ltd trading as Aqua gave him a credit card and subsequent limit increases he couldn't afford to repay.

What happened

In March 2024 Aqua gave Mr U a credit card with a limit of £1,200. This was increased to £2,450 in July 2024 and it then further increased to £4,200 in November 2024.

Mr U argues that Aqua lend irresponsibly to him, by giving him credit limits he couldn't afford to repay. Mr U has said that he was already over committed and struggling financially. He has also said this situation had a significant impact on his health and wellbeing.

Aqua considered his complaint but disagreed. It argued that it completed proportionate checks before agreeing to lend. And it said that as a result of these checks, it was reasonable to lend.

Unhappy with Aqua's response, Mr U referred his complaint to our service. One of our investigators considered the complaint but didn't agree. They thought that Aqua completed proportionate checks and based on the information the checks revealed, it was fair for Aqua to lend.

Another ombudsman considered the complaint and issued a provisional decision explaining that they weren't intending to uphold it. They thought Aqua should have completed more checks before agreeing the final limit increase. But they thought if Aqua had completed proportionate checks, it still would have been reasonable to lend. This ombudsman is no longer available and so the case has been passed to me to consider.

I completed an independent review of the complaint and reached the same overall conclusions as the previous ombudsman. I explained this to both parties and gave them a final opportunity to provide me with anything further before I reached a final decision.

Aqua didn't respond, however Mr U provided a number of details about his circumstances since Aqua agreed the initial credit card and the challenges he's experienced.

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.

Having done so, I'm not going to uphold this complaint. I appreciate this will be very disappointing for Mr U and I do genuinely sympathise with the circumstances he now finds himself in.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable

outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

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

Aqua needed to make sure it lent responsibly to Mr U. It therefore needed to complete sufficient checks to determine if Mr U could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

The initial credit limit in March 2024

Before agreeing the initial limit, Aqua took details of Mr U's income and he declared an income of £40,000 gross per year and declared he was living with his parents. Aqua calculated that Mr U had a net monthly income of just under £2,700 per month. It completed a credit search and estimated his essential living expenses using ONS data and considered his payments towards existing credit commitments.

Having considered the steps Aqua took and the £1,200 limit in question, I think it did complete proportionate checks before agreeing to lend. It had taken steps to understand Mr U's income and essential expenditure, and it had looked to see if his credit file showed any recent problems managing his finances.

Based on the information the checks revealed, I think it was reasonable for Aqua to have agreed the initial limit. After estimating Mr U's essential expenditure including his existing credit commitment payments, it calculated that Mr U had around £1,500 in disposable income. The results of the credit search also didn't show recent adverse information such as defaults or CCJs and he didn't have any missed payments recorded. So, taking everything into consideration, I think Aqua made a fair lending decision before agreeing the initial credit card limit.

The credit limit increase in July 2024

Before agreeing this increase, Aqua has said it considered how Mr U had run the account prior to the increase. It also gathered details about Mr U's income using current account turn over (CATO) information and estimated his essential living costs. It completed a credit search and estimated his existing credit repayments. Again, whilst I've taken into consideration that this was a substantial increase from the previous limit, I think these checks were proportionate when considering the limit being given. I think Aqua had taken sufficient steps to consider how Mr U was managing his existing credit commitments including the account in question. And it had taken steps to estimate Mr U's income and essential expenditure.

From the checks completed I can see that Mr U's existing credit commitment repayments had increased in the intervening period since the initial limit was given (by around £300). And through using CATO information, Aqua estimated that his net income had increased slightly. Whilst it was only a short period of time since the account was agreed, Aqua has said Mr U had managed his credit card account without concerns in the intervening period (for example he hadn't missed payments or exceeded his limit). And based on the disposable income it calculated, this suggested Mr U still had sufficient means to sustainably afford the credit increase. It also left Mr U with a substantial buffer should his essential living

costs have been higher than what Aqua estimated.

Taking everything into consideration, I again think Aqua completed proportionate checks and as a result of this, made a fair lending decision when agreeing this limit increase.

The credit limit increase in November 2024

At the time of this limit increase, Aqua completed broadly the same checks as it completed in July 2024 including a credit search, CATO income verification and estimating his essential expenditure and existing credit commitment repayments. It also considered how Mr U had been running the account.

I'm mindful that by this time Mr U's credit limit with Aqua had increased substantially within a relatively short period of time. He had gone from an initial limit of £1,200 in March 2024 and by the following November his limit was now at £4,200. In addition, his overall indebtedness on revolving credit had increased since the last limit increase. His credit search results showed in July 2024 he had just under £10,000 in revolving credit which had increased to around £12,500 in the short period of time between lending decisions. (I've noted that this figure further increased to around £17,000 based on the credit search completed at the point the limit was increased, however this was after Aqua made its lending decision). However, Aqua had estimated that Mr U still had substantial disposable income of around £1,400 per month. I think that by this time Aqua had reason to question how reflective its expenditure estimations were. So, I think it should have taken steps to explore Mr U's actual income and essential expenditure before agreeing this increase.

Mr U has provided bank statements which suggest his income was broadly similar to what he initially declared in March 2024. Mr U has also given our service details of his regular expenditure. This included payments for food (including groceries, meals out, take aways) fuel/ travel and his mobile phone. I have noted that the figures provided arguably include some discretionary expenditure. However, even if I take the monthly expenditure figure Mr U has given, Mr U still would have had sufficient disposable income (after deducting his existing credit commitment repayments for both revolving and non-revolving credit) to repay this credit limit increase. So even if Aqua had taken more steps to explore Mr U's actual essential expenditure, I think this would have shown it was reasonable to lend.

I have considered Mr U's argument that he was so overindebted Aqua should have seen this and it shouldn't have continued to increase his credit card limit. He's also said the stress and pressure he was under financially has had an adverse impact on his health. I'm sorry to hear of the challenges he's experienced, and I would remind Aqua of its responsibilities to treat someone in this situation positively and sympathetically. However, when thinking about Mr U's overall indebtedness during the time Aqua was increasing his credit limit, I'm mindful that Mr U earned a reasonable income and had rather limited essential expenditure given he was living at home. And whilst he did have existing credit commitments which had increased since the July limit increase, his credit search results and usage of the account in question suggest he was managing his finances well. So, taking everything into consideration, I don't agree his overall indebtedness should have stopped Aqua from increasing his limit. And I think this was the case even if I were to consider the higher level of revolving credit he had by the time the last credit limit increase was put in place.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Aqua lent irresponsibly to Mr U 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

For the reasons explained above, I don't uphold this complaint against NewDay Ltd trading as Aqua.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 5 December 2025.

Claire Lisle
Ombudsman