

The complaint

Miss M complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and went on to increase the limit.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision dated 16 October 2025. I said:

Miss M applied for an Aqua credit card in late January 2019. In her application, Miss M said she was employed with an annual income of £52,000 that Aqua calculated left her with £2,758 a month after deductions. A credit search found Miss M had outstanding debts of around £2,600 and was making monthly repayments of £316. The credit search found default information that was 56 months old and that Miss M had current arrears on one of her credit commitments at the time of the application. No other adverse credit was noted. Aqua applied estimates for Miss M's housing and general living expenses and completed an affordability assessment. Aqua says Miss M had a disposable income of £1,492 a month after covering her existing outgoings and approved her application, issuing a credit card with a limit of £1,200.

Miss M used the credit card and Aqua went on to increase the limit to £1,800 in May 2019, £2,400 in September 2019 and £3,900 in March 2022.

Earlier this year, Miss M complained that Aqua lent irresponsibly and it issued a final response. Aqua said it had carried out the relevant lending checks before approving Miss M's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss M's complaint. They thought Aqua completed reasonable and proportionate checks before approving Miss M's application and increasing the credit limit and didn't agree it lent irresponsibly. Miss M asked to appeal and has provided bank statements showing her income and outgoings. As Miss M asked to appeal, her 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 Miss M 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 obtained during the application process above. I can see Aqua asked Miss M to confirm her income and carried out a credit search. I have some concerns about the credit file results obtained by Aqua as they showed a current missed payment on one of her existing credit commitments. To me, that is very much at odds with the conclusion reached by Aqua that Miss M had a disposable income of £1,492 a month. I also think it's fair to note the initial credit limit was reasonably high at £1,200 which increased the potential for financial harm to Miss M. Aqua may argue it's a second chance lender so willing to accept a degree of adverse credit information. But given Miss M was already behind on her existing credit commitments, I think Aqua needed to be very sure she was able to sustainably cover repayments to a new credit card. On balance, I haven't been persuaded Aqua completed reasonable and proportionate checks before approving Miss M's application.

Miss M has provided copies of her bank statements for the months before her application to Aqua was made. In the preceding three months, I found Miss M received an average income of £560. That was made up of child benefit and working family tax credits along with what appears to be a modest self employed income. Miss M's average outgoings during this period came to £968 a month for payments collected by direct debit. Those payments included Miss M's utilities, existing credit commitments and communications. Miss M's bank statements show she wasn't in receipt of an income of £52,000 a year and that her outgoings were more than her regular income.

In addition, Miss M's bank statements show she'd taken a loan of £800 in October 2018 and £500 in early January 2019 with a high cost lender I'll refer to as S. As Miss M's bank statements show her outgoings were higher than her monthly income, she'd taken a new loan with S just three weeks earlier and had existing arrears on her credit file, I haven't been persuaded she was able to sustainably afford a new credit card with a limit of £1,200 or that Aqua lent responsibly when it approved her application. As a result, I intend to uphold Miss M's complaint and direct Aqua to refund all interest, fees and charges applied from the date of approval.

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 Miss M 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.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Miss M responded to say she was willing to accept. Miss M later told us that when she contacted Aqua she was told it hadn't received our provisional decision.

Our investigator checked the email address used to send the provisional decision and found it was correct. No evidence of a returned email containing the provisional decision was found. The investigator forwarded another copy of the provisional decision but despite the deadline having passed by over a week no response has been received.

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 Miss M has confirmed she's willing to accept, I see no reason to change the conclusion I previously reached. I still think Miss M's complaint should be upheld, for the same reasons. As noted above, I'm satisfied the provisional decision was sent to the correct email addresses for both parties and that a further copy has been provided by email to Aqua.

My final decision

My decision is that I uphold Miss M'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.
- If the rework results in a credit balance, this should be refunded to Miss M 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 regarding this account from Miss M's credit file.
- Or, if after the rework there is still an outstanding balance, Aqua should arrange an affordable repayment plan with Miss M for the remaining amount. Once Miss M has cleared the balance, any adverse information 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 Miss M a certificate showing how much tax has been taken off if **she** 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 Miss M to accept or reject my decision before 8 December 2025.

Marco Manente
Ombudsman