

The complaint

Mr R complains that NewDay Ltd trading as Aqua (Aqua) lent to him irresponsibly when issuing him a credit card and subsequently increasing the credit limit five times over a 33 month period.

Mr R is represented by a professional third party, but to reduce complexity, I will refer to Mr R throughout.

What happened

Mr R applied for a credit card which was granted and its credit limit increased as shown below:

Date	Event	Credit Limit
September 2021	Account Opening	£900
January 2022	Credit Limit Increase	£1,900
May 2022	Credit Limit Increase	£3,150
October 2023	Credit Limit Increase	£4,650
February 2024	Credit Limit Increase	£6,150
June 2024	Credit Limit Increase	£7,150

In summary, Mr R complains that Aqua lent irresponsibly when issuing the card and when increasing the credit limits. He says insufficient affordability checks were made and Aqua should have investigated his outgoings in more detail and referred to his bank statements. He also says Aqua continued to lend to him when they ought to have realised they were increasing indebtedness in a way that was unsuitable or otherwise harmful.

Mr R complained to Aqua in December 2024. Aqua considered the complaint but didn't uphold it. In their Final Response Letter of March 2025, Aqua say they completed appropriate credit worthiness assessments at application and on each increase. Their investigations showed Mr R likely had sufficient disposable income to afford to repay the credit. Mr R disagreed and brought his complaint to this service in March 2025.

An investigator considered the available evidence gathered from both parties. In her view the initial application and first two credit limit increases were made with adequate and proportionate checks and the lending decisions were fair. However, from the third increase onward, she said checks were not sufficient and had sufficient checks been made it would have shown that further lending was not appropriate.

Aqua disagreed with this view and so the case has come to me to make a final 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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law.

In short, lenders must ensure that any credit that is approved is affordable and sustainable for the borrower. I've followed our approach when deciding Mr R's complaint.

Having done so, I'm upholding this complaint, I will explain why.

Initial Application.

When Mr R applied for a credit card from Aqua he declared a gross annual income of £42,000 though I have not seen evidence this was validated beyond the application form. But Aqua did consider the content of Mr R's credit file.

This showed some adverse data, though Aqua fairly point out this is not unusual for customers of "a second-chance lender". There were previous defaults, though no current County Court Judgments (CCJ) or Individual Voluntary Arrangements. Given the most recent default was 34 months before the application, Aqua considered this to be historic and not necessarily a reflection of Mr R's current financial situation. I think that's a reasonable position to have taken.

Aqua then used credit reference agency and application data to estimate Mr R's expenditure. They also considered Mr R's debt to income ratio (below 4%) and determined there were no active payday loans.

Given the relatively low credit limit, I am content that these were reasonable and proportionate checks by Aqua.

Given these checks and Aqua's calculation showing it was likely Mr R could afford to repay the credit, it follows I think granting the initial credit card was a fair lending decision.

First and second credit limit increase.

I will deal with these together as the approach and considerations I have applied are common to both.

On each application, Aqua relied on Mr R's declared income and validated this with a combination of credit reference agency data and bank account throughput figures. The only significant and potentially adverse finding across these increases was the presence of a new payday loan before the first increase. However, the remaining credit file data was broadly positive throughout with no new CCJs, defaults or accounts poorly managed.

Aqua acknowledge the payday loan but balanced this against a growing view of Mr R's account management with them. This demonstrated payments significantly over the minimum payment, no missed or late payments and the card operating within its limit. There were no cash withdrawals and nothing of concern to the business in the management of Mr R's account.

I have considered these increases carefully but on balance given the level of increase, the broadly positive credit report findings and the positive account management, I think Aqua made appropriate and proportionate checks in both instances.

I have also considered whether the presence of a single payday loan on an otherwise apparently well managed account with good management of the existing card should have prevented Aqua from lending. I am not persuaded of the fact and think that Aqua made fair lending decisions on both increases.

Third credit limit increase.

In October 2023, Aqua offered a further credit limit increase raising it to £4,650

Aqua indicate the approach they took was the same referencing bank throughput for income validation and using credit file and account management data to assess affordability.

It is clear from the credit file visible to Aqua that either Mr R's financial situation or customer behaviour had changed quite significantly since the last increase.

In the 12 months running up to the third credit limit increase, Mr R's total indebtedness had more than tripled from £3,245 in September 2022 to £11,843 in September 2023. His debt utilisation was now consistently over 90% in the six months prior to the third increase and over 95% in the month of the decision. These are significant and relatively new changes and I think should have been of more interest to Aqua.

Additionally, there had been two overlimit fees applied to Mr R's account within four months of the credit limit increase. Aqua suggest this is sufficiently distant from the lending decision to be able to discount it. When taken together with the increase in total indebtedness and debt utilisation, I am not persuaded this is correct.

While it is not possible to say Mr R was in financial difficulty I think the data could suggest it. I think Aqua should have made more detailed enquiries before any lending decision was considered.

Given the increase in indebtedness I would have expected Aqua to revalidated income other than by account throughput. I would also have expected further checks on expenditure, though these may have fallen short of a full examination of Mr R's bank statements. I think the checks made by Aqua for this increase were insufficient and not proportionate to the lending given the content of the credit file.

Having said insufficient checks were made, I must next consider what would have been found had sufficient checks been made.

I note Mr R's view that Aqua should have referred to his bank account statements in making the lending decision. That would have been an option for Aqua, however, they could also have validated income and expenditure in other ways. This might have included requesting further information from Mr R.

In trying to recreate what Aqua would have seen I have referenced the bank account statements supplied by Mr R as they are the best records available to me from the time. However, I have used them to replicate the figures Aqua would have received if they had sought more accurate expenditure figures from Mr R.

Having checked the three months of bank account statements running up to the third credit limit increase it is clear that Mr R was paid weekly with an average monthly income of around £3,500.

However, it is also clear that after living expenses, the majority of that income is being paid to support new lines of credit. The residual disposable income figure is now low. It also appears that Mr R is paying back further loans to individuals and may well be funding gambling through cycles of borrowing.

Had Aqua obtained bank statements, I am satisfied that it would have demonstrated to them a financial situation where further lending could have worsened Mr R's position.

Had they sought further clarity short of seeing his bank account statements, I am similarly persuaded that there would have been real concerns over further lending.

Finally, I have considered whether Mr R could have sustainably repaid the additional lending,

To decide this I have considered a similar loan of £1,500 paid back at the same interest rate over a two year period, This would require monthly payments of around £85. Having considered Mr R's existing credit commitments and allowing for core living expenses this additional payment would take him below a level where it would be likely that repayments could be sustained.

Given the above, I think Aqua were wrong to offer the third and subsequent credit limit increases.

In reaching my conclusions, I've also considered whether the lending relationship between Mr R and Aqua might have been unfair to Mr R under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct Aqua to do in the section below results in fair compensation for Mr R given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

As I don't think Aqua should have increased Mr R's credit limit above £3,150, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr R has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, Aqua should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £3,150
- If the rework results in a credit balance, this should be refunded to Mr. R 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 recorded after 31 October 2023 regarding this account from Mr. R's credit file.
- Or, if after the rework the outstanding balance still exceeds £3,150, Aqua should arrange an affordable repayment plan with Mr. R for the remaining amount. Once Mr. R has cleared the outstanding balance, any adverse information recorded after 31 October 2023 in relation to the account should be removed from their credit file.

*HM Revenue & Customs requires Aqua to deduct tax from any award of interest. It must give Mr R a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that I uphold Mr R's complaint against NewDay Ltd trading as Aqua from the third credit limit increase above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 March 2026.

Richard Bellamy
Ombudsman