

The complaint

Miss T complains that NewDay Ltd trading as Aqua lent irresponsibly when it approved her credit card application and later increased the limit.

What happened

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

Miss T applied for an Aqua credit card in June 2022. In her application, Miss T said she was employed with an annual income of £21,000 that Aqua calculated left her with £1,553 a month after deductions. Aqua's confirmed it used a service provided by the credit reference agencies to verify Miss T's income. A credit search was completed that found Miss T had outstanding debts totalling around £3,000 with monthly repayments of £228. No adverse credit, defaults or recent missed payments were noted on Miss T's credit file. An affordability assessment was completed using Miss T's income of £1,553 a month, an estimate of her general living expenses of £431 and credit commitments of £228. Aqua says that left Miss T with a disposable income of around £893 a month. Aqua approved Miss T's application and issued a credit card with a limit of £1,200.

Miss T used her credit card and Aqua went on to increase the limit as follows:

Event	Date	Limit
<i>App</i>	<i>Jun-22</i>	<i>£1,200</i>
<i>CLI1</i>	<i>Feb-23</i>	<i>£1,800</i>
<i>CLI2</i>	<i>Feb-24</i>	<i>£2,800</i>
<i>CLI3</i>	<i>Nov-24</i>	<i>£3,800</i>
<i>CLI4</i>	<i>Mar-25</i>	<i>£4,800</i>

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

An investigator at this service looked at Miss T's complaint. They ultimately reached the view that Aqua lent irresponsibly when it approved CLI4 taking the credit limit to £4,800 in March 2025 and asked it to refund all interest, fees and charges applied to balances over £3,800 from that date. Aqua accepted but pointed out that as Miss T's account balance had never exceeded CLI3 (£3,800) no refund was due. Miss T asked to appeal, so 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.

I can see our investigator focused on the credit limit increases from CLI2 onwards. But Aqua's final response deals with all the lending decisions, including the application and CLI1. And whilst the complaint form Miss T sent us talks about the credit limit increases, I've seen nothing that shows she has withdrawn the complaint about her Aqua application and first credit limit increase.

Before agreeing to lend or increasing the credit limit, the rules say Aqua had to complete reasonable and proportionate checks to ensure Miss T 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 used when considering Miss T's application above. Miss T gave details of her income and the figure provided was verified by Aqua using a service provided by the credit reference agencies known as CATO. So I'm satisfied Aqua was using a reasonable income figure when assessing Miss T's application. The credit search showed Miss T had some other debt, but it was at a manageable level at around £3,000 with monthly repayments of £228. No adverse information was shown on Miss T's credit file and all her accounts were up to date. In my view, Miss T's credit file indicated she was in a stable financial position and I haven't seen anything that would've suggested to Aqua she was overcommitted.

The affordability assessment used Miss T's income of £1,573 a month and made deductions for her unsecured debts and used an estimate of £431 for her general living expenses. Lenders are allowed to use reasonable estimates for a borrower's outgoings if it's proportionate and I'm satisfied that's the case here. Aqua says Miss T had an estimated disposable income of £893 a month. I note no deduction was made for Miss T's housing costs. It's not clear from the information available whether Miss T said she was living with her parents and not paying rent. But I think it's fair to note that a review of Miss T's bank statements from 2023 shows she was paying rent of £150 a month to her parents. Using that figure and applying it to the affordability assessment, that would've left Miss T with £743 a month as a disposable income. I'm satisfied that figure would've been sufficient for Miss T to sustainably afford repayments to a new credit card with a limit of £1,200.

In my view, Aqua completed proportionate checks before approving Miss T's application and its decision to issue a credit card with a limit of £1,200 was reasonable based on the information it obtained. I haven't been persuaded Aqua lent irresponsibly when it approved Miss T's application.

CLI1 was approved in February 2023 taking the limit to £1,800. The credit file information shows Miss T's other debts had reduced in the previous eight months reaching £1,280 with monthly repayments of £104. In addition, Miss T's Aqua credit card history shows the account was well managed and not something Miss T was using to make ends meet. The

highest outstanding balance since the application was approved was £219 against a limit of £1,200. Aqua's lending checks took the form of credit scoring. Aqua used an Affordability Score and Likelihood of Affordability score. I understand this form of lending check differs from the way the application was assessed but I'm satisfied the approach was appropriate when considering CLI1. The Affordability Score came back at 528. Aqua says an affordability score over 360 gives a Likelihood Affordable score of 99% or above.

I also think it's fair to add that the £600 increase to the credit limit wasn't large which reduced the potential for financial harm by extending the borrowing. In my view, the credit file information, account history and credit scoring used when deciding whether to approve CLI1 were proportionate to the additional amount of £600 Aqua went on to approve. And I'm satisfied the decision to approved CLI1 was reasonable based on the information Aqua obtained. I haven't been persuaded Aqua lent irresponsibly when it approved CLI1.

CLI2 took the limit to £2,800 in February 2024. The credit file information available shows Miss T's unsecured debts had increased substantially after CLI1 was approved. When CLI1 was approved Miss T owed £1,280 but in the month before CLI2 was approved that figure increased to £19,500. In my view, that level of increase, especially when considering Miss T's declared income of £21,000, ought to have prompted Aqua to complete a more detailed set of lending checks before approving CLI2. As noted above, there were a range of options available to Aqua, one of which would've been to check Miss T's bank statements to get a clearer picture of her circumstances in the preceding months. That's the approach I've taken.

I looked at Miss T's bank statements for a three month period before CLI2 was approved. I found Miss T had an average income of £1,542 a month. I used outgoings for items like Miss T's rent to her parents, existing debts, communications, fuel, supermarket shopping and current account fees. I found Miss T's average outgoings came to around £1,100 a month. That left Miss T with around £440 a month after covering her existing outgoings. In my view, that figure was enough to sustainably afford an increase of £1,000 to the existing credit limit taking it to £2,800. Whilst I agree Aqua didn't complete proportionate checks before approving CLI2, I think a more detailed review of Miss T's circumstances would've most likely still led it to proceed. I haven't been persuaded Aqua lent irresponsibly when it approved CLI2.

I know our investigator went on to look at CLI3 and CLI4, but the highest balance shown on Miss T's statements was £1,978.47 in April 2025. The account history doesn't show any balance that exceeded the limit of £2,800 approved for CLI2. As a result, while it could be argued Aqua's later lending decisions weren't reasonable, they haven't led to a detriment or financial loss to Miss T. So I don't need to make a finding on whether Aqua lent irresponsibly when it approved credit limits over £2,800. To put it another way, even if I were to uphold from CLI4 as the investigator did, no refund would be due to Miss T.

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 Miss T or otherwise treated her 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.

I'm sorry to disappoint Miss T as I understand my provisional decision differs from the initial approach taken. But for the reasons I've noted above, I haven't been persuaded to uphold Miss T's complaint.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Miss T responded to confirm she didn't accept the conclusions reached in the provisional decision. Miss T said she disagreed with the reasoning applied in the provisional decision. Miss T noted the provisional decision accepted NewDay had failed to complete the required affordability checks but concluded that the borrowing was affordable based on an assessment completed at a later date. Miss T also said she was concerned that I had considered the extent to which the increased credit limits were used when considering the outcome of her complaint and that the potential for harm caused by increased debt was a relevant consideration.

NewDay didn't respond to the provisional 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.

I'd like to thank Miss T and her representative for the responses received to the provisional decision. I understand Miss T remains of the view that Aqua lent irresponsibly. And I understand Miss T feels the way the complaint has been considered is unfair. Whilst I've read and considered everything Miss T has sent us in response to the provisional decision, I haven't been persuaded to change my view of her complaint.

Our approach to complaints about unaffordable lending is set out on our website. We look at whether reasonable and proportionate checks were completed and whether fair lending decisions were made. If we find that reasonable and proportionate checks weren't carried out, we don't automatically uphold the complaint. Our approach considers what reasonable and proportionate checks would have found.

Applying this approach to Miss T's case, when I looked at CLI2 I wasn't persuaded proportionate checks were completed. I felt proportionate checks ought to have sought a clearer picture of Miss T's circumstances so looked at her current account statements to do that. I found that Miss T had sufficient disposable income to sustainably cover repayments to an increased credit limit of £2,800. So whilst I wasn't persuaded the checks completed by Aqua were proportionate, I felt a more reasonable level of checks would've still led to CLI2 being approved. Ultimately, as I haven't found the lack of proportionate checks unfairly impacted Miss T or that Aqua lent irresponsibly when it approved CLI2 I wasn't able to uphold this part of her complaint.

I understand Miss T feels the decision not to look at CLI3 and CLI4 was wrong as they had the potential to cause financial harm. But when deciding a complaint, I have to consider whether a business' actions have led to a financial loss for the consumer. As Miss T's outstanding balance never exceeded the limit approved for CLI2, the lending decisions made by Aqua for CLI3 and CLI4 haven't led to a loss. And I can't award compensation for a potential loss.

I note that when responding to Miss T's complaint Aqua's final response confirmed her credit card had been restricted so no new spending would be approved. I think that seeks to limit the potential for financial harm and means the outstanding balance wouldn't increase due to new payments being made from the account.

I'm sorry to disappoint Miss T but for the reasons given above and in my provisional decision I haven't been persuaded to uphold her complaint.

My final decision

My decision is that I don't uphold Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 11 March 2026.

Marco Manente
Ombudsman