

Complaint

Mr M has complained about a credit card Lendable Ltd (trading as “Zable”) provided to him.

He says the credit card as well as the limit increases were irresponsibly provided as it should have been clear that they were unaffordable.

Background

Zable provided Mr M with a credit card with an initial limit of £200 in November 2020. The credit limit on Mr M's account was increased to £800 in April 2021 before then once again being increased to £1,000.00 in August 2021.

One of our investigators reviewed what Mr M and Zable had told us. And he thought Zable hadn't done anything wrong or treated Mr M unfairly in relation to providing the credit card.

So he didn't recommend that Mr M's complaint be upheld. Mr M disagreed and asked for an ombudsman to look at the complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

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

Zable needed to make sure it didn't lend irresponsibly. In practice, what this means is Zable needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Zable says it agreed to Mr M's initial application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr M would be able to make the low initial monthly repayment due on this credit card. It then decided to increase Mr M's credit limit because of the usage on his account. On the other hand, Mr M says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that Zable was initially required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £200 required small monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Zable obtained from Mr M about his income and what was on the credit search carried out. This information doesn't indicate to me that Zable ought to have realised that Mr M didn't have the funds to make the low monthly payment that would be required for this credit card.

Mr M says that he had previous repayment difficulties – in the form of defaults on previous credit accounts recorded against him - at the time of his application and when he was offered the increases. But I don't think that these issues in themselves meant that Mr M shouldn't have been lent to. In my view, it meant that Zable needed to take more caution which it did do by offering a very low initial limit.

Given the low amount being initially being lent here and the credit searches Zable carried out not showing that Mr M shouldn't be lent to in any circumstances in the way he suggests, I don't think that Zable needed to further verify what was in the information it had before lending. So I'm satisfied that Zable decision to initially provide Mr M with his credit card was reasonable.

Nonetheless, given the amount of the credit limit increases and what Zable did know about Mr M's previous credit history, I think that this meant that it ought to have asked Mr M for some more information about his living expenses before increasing his credit limit on both occasions. That said, I don't think that obtaining further information on Mr M's actual living expenses would have made a difference to Zable's decision to lend in this instance.

I say this because I've not been provided with anything that clearly shows me that when Mr M's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due as a result of the credit limit increases.

I accept that Mr M says that his actual circumstances at the time were worse than what the information Zable obtained showed. And I also accept that if Zable had found out more about Mr M, it's possible, but by no means, certain that it may have reached a different decision.

But without clear evidence that doing more would have prevented Zable from increasing Mr M's credit limit in the first place, I simply don't have sufficient evidence to reasonably conclude that this is the case. I don't agree that the information Zable saw on Mr M's credit file, in itself, clearly demonstrates that it ought to have realised that increasing Mr M's credit limit would have been increasing his indebtedness in a way that was unsustainable or otherwise harmful.

So overall while I can understand Mr M's sentiments and I'm sorry to hear about his situation, I don't think that Zable treated Mr M unfairly or unreasonably when providing him with his credit card, or increasing his credit limit. It carried out proportionate checks before providing him with his card and I've not seen anything which clearly shows that proportionate checks would have seen it deciding against increasing Mr M's credit limit.

Consequently I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 February 2024.

Jeshen Narayanan
Ombudsman