

Complaint

Mr J has complained about a credit card Lendable Ltd (trading as “Level”) provided to him. He says the credit card and the subsequent credit limit increase were unaffordable and shouldn’t have been provided to him.

Background

Level provided Mr J with a credit card with an initial limit of £200 in November 2021. Mr J’s credit limit was increased to £350 in January 2022.

One of our investigators reviewed what Mr J and Level had told us. And he thought Level hadn’t done anything wrong or treated Mr J unfairly in relation to providing the credit card or increasing the credit limit. So he didn’t recommend that Mr J’s complaint be upheld.

Mr J disagreed with our investigator’s assessment 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 J’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr J’s complaint. I’ll explain why in a little more detail.

Level needed to make sure it didn’t lend irresponsibly. In practice, what this means is Level needed to carry out proportionate checks to be able to understand whether Mr J 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.

Level says it agreed to Mr J’s initial application for his credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr J would be able to make the low monthly repayments due for this credit card. I understand that for the limit increase, it also considered Mr J’s account activity as well as the external information obtained, justified the small increase offered.

On the other hand Mr J says that he was already struggling and shouldn't have been provided with this credit card. He's also referred to a different complaint having been upheld.

I've considered what the parties have said.

What's important to note is that Mr J was provided with a revolving credit facility rather than a loan. And this means that Level was required to understand whether credit limits of £200 and then £350 could be repaid within a reasonable period of time, rather than in one go. Credit limits of £200 and £350 required small monthly payments (in comparison to Mr J's cross-checked income) in order to clear the full amount owed within a reasonable period of time.

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

I accept that Level's credit search showed that Mr J had a default recorded against him. But I don't think that this in itself was a clear indication that Mr J couldn't afford the extremely low monthly repayments. And I don't think that this in itself was a reason for Level to have automatically declined Mr J's application. I think that this was particularly the case for the credit limit increase because Mr J had been making repayments – albeit it had been for a short period – suggesting that he could clear the balance.

Given the information Level obtained and what it showed, I'm satisfied that Level was entitled to rely on Mr J's cross-checked income information and what it had seen in the credit checks which led it to determine that credit limits of £200 and £350 were affordable for Mr J.

I accept that Mr J's circumstances might have been worse than what the information he provided and the checks that Level carried out showed. For example, I've seen that he's said that he wasn't working and was in receipt of Universal Credit at the time. I'm sorry to hear about this. However, Mr J didn't disclose this to Level. And I don't see how Level could reasonably have known about this.

Furthermore, in reaching my conclusion, I've considered what Mr J has said about having had a separate complaint upheld. I can understand why Mr J might find it strange that he's received different outcomes on complaints which he perceives to be materially the same.

But it's important for me to explain that we consider complaints on an individual basis and looking at the individual circumstances. As I've already explained, what will constitute a proportionate check will very much depend on the particular circumstances of the individual application. A proportionate check, even for the same customer, could look different for different applications.

Furthermore, I'm not bound by the outcomes reached by other case handlers on different cases. Ultimately, I'm required to consider the facts of a case and reach my own conclusion. So the outcomes on Mr J's other case cannot and do not bind me into reaching the same conclusion on this case. That said, I do accept that consistency is important and with a view to providing some clarity and reassurance to Mr J, it might help for me to explain that there are some key differences between this complaint and Mr J's other one.

Having looked at Mr J's other case, it's clear that he was provided with a number of credit cards by the same provider. The complaint about the earliest credit card and limit increase,

which involved significantly higher credit limits, wasn't upheld. And some of the lending decisions made in that case were made after the lending decisions in this case.

Nonetheless when Mr J owed the lender more, across all of his cards, this impacted on what it would have been proportionate for the lender to do and find out in that case at the relevant times. This in turn affected what proportionate checks would more likely than not have shown and explains the difference in outcome for the lending decisions across Mr J's complaints.

So while I'm not required to replicate the outcomes reached by other case handlers, nonetheless I don't consider that my answer here is incompatible or inconsistent with the one Mr J received on his other case, notwithstanding the differing outcomes.

Overall and having considered everything, while I can understand Mr J's sentiments, I don't think that Level treated Mr J unfairly or unreasonably when providing Mr J with his credit card or the subsequent limit increases. And I'm not upholding Mr J's complaint. I appreciate this will be very disappointing for Mr J – particularly given the outcome he received on his other complaint. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr J's complaint, I would remind Level of its obligation to exercise forbearance and due consideration (bearing in mind what Mr J is now saying) if Mr J is proving unable to clear the arrears on his account because he is experiencing financial difficulty making payments.

My final decision

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

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

Jeshen Narayanan
Ombudsman