

## **The complaint**

Mr B is complaining about ONMO Limited because he says it lent irresponsibly when giving him a credit card he couldn't afford.

## **What happened**

In April 2023, Mr B applied for a credit card with ONMO. ONMO accepted his application and gave him a card with a credit limit of £1,550.

Our investigator didn't conclude the complaint should be upheld. He felt ONMO carried out appropriate checks to determine whether the card was affordable and made a reasonable decision to lend.

Mr B didn't accept the investigator's assessment and made the following key points:

- The income he declared included bonuses that didn't come to fruition over the last year.
- He provided a copy of his credit report showing he already had debts of £32,000 at the time the card was issued. He also says he had other debt worth around £15,000 and can provide evidence of this if required.

The complaint has now been referred to me for review.

## **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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before lending to Mr B, ONMO was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did ONMO complete reasonable and proportionate checks to establish Mr B would be able to repay the credit in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

ONMO has described the information it gathered to assess whether Mr B's credit was affordable before it was approved. This included:

- information contained in his application, including residential status, employment status and his income;
- information obtained from a credit reference agency (CRA), giving details of existing credit arrangements and any past issues with credit, including missed payments and defaults; and
- an expenditure assessment using a combination of modelled data for key expenses, along with actual data from the CRA about the cost of his existing credit arrangements.

In making his application, Mr B declared his annual income was £86,000, which equates to approximately £4,900 per month after tax. In respect of his commitments, ONMO says its credit check showed the monthly payments on his existing credit were £1,251. Based on the credit report Mr B has supplied, that doesn't seem an unreasonable figure. This would have left him with more than £3,600 for housing and other expenses.

Mr B's credit report shows he had existing debts of around £32,000. I note he says he had other debts too, but ONMO wouldn't have known about these when considering the application if they didn't show on the credit file. In isolation, £32,000 sounds like a large amount of debt, but I don't think it's a figure that should have caused ONMO particular concern in view of Mr B's declared income.

The overview obtained by ONMO also appeared to show Mr B was managing his existing commitments well enough. He was up to date with payments and there was no recent evidence of difficulties, including missed payments and defaults. He hadn't taken any new credit arrangements in the previous three months and his overall usage of existing credit cards was substantially below (around two-thirds of) the overall combined limit. While a review of the detailed credit report shows some cards were close to their limit, it looks as though Monzo had recently increased the limit on its card and this probably explains the overall usage figure above.

The rules ONMO was required to follow don't specify what constituted a proportionate affordability check and this depends on the circumstances of each case. In this case, I'm conscious the credit limit offered was relatively low, especially in comparison to Mr B's declared income. And while he had existing debt, I don't think the levels that could be seen on his credit file were so high that this should have raised any particular concern. And the other information contained in the overview of his credit file appeared to show he was managing his existing commitments well and had sufficient disposable income to make meaningful payments to the new card.

On balance and taking everything into account, I'm satisfied ONMO carried out a proportionate affordability assessment in this case and that further checks weren't required.

I've also considered ONMO's lending decision based on the information obtained from what I believe to have been a proportionate affordability assessment. In my view, it was entitled to believe the new credit repayments would be affordable for Mr B and that the decision to lend was a reasonable one.

It's for these reasons that I'm not upholding Mr B's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

**My final decision**

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 June 2024.

James Biles  
**Ombudsman**