

## **The complaint**

Mr K complains that NewDay Ltd trading as Amazon Classic Card (Amazon) lent to him irresponsibly.

## **What happened**

In April 2019, Amazon agreed to give Mr K a credit card with a limit of £500. The account went into arrears and was sold to a debt collection agency in February 2020.

Mr K complained that he shouldn't have been given the card by Amazon. They didn't do the proper credit checks – he had a poor credit record and couldn't afford the card account.

Amazon said Mr K had passed their credit checks. In his application Mr K stated his income was £24000 per annum, with monthly outgoings of £500. He had other unsecured debt of £9500. There were no arrears or defaults showing on his credit profile. The fact that he had other debts wouldn't have stopped Amazon from lending to him.

Mr K brought his complaint to our service. Our investigator said Amazon hadn't acted fairly. She could see that Mr K had a history of short-term loans and credit cards. So – Amazon should've done more checks. She said that Amazon should refund all interest and fees and come to an arrangement for Mr K to settle the balance left. Any adverse credit markers should be removed. And she recommended a payment of £50 for distress and inconvenience for the worry the debt had caused Mr K.

Amazon disagreed. They asked that Mr K's complaint be looked at by an ombudsman.

## **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.

Mr K says he shouldn't have been given the card by Amazon in the first place. He says he had a poor credit record – and they should've seen this. His debt was sold to a debt collection agency. He can't afford to repay the debt and wants it to be written off.

All lenders have an obligation to lend money responsibly. We have to check whether Amazon acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?

- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

Amazon have told us that Mr K passed their credit checks. They could see that he had other debts of £9500 – but he wasn't in default and payments were up to date. He told them his salary was £24000 per annum, with costs of £500 per month. So, they were happy to give Mr K a card with a fairly low limit of £500.

I've looked at the application data that Amazon looked at. It does show debts of £9500 and seven active accounts. And their affordability assessment as at April 2019 (when the card was approved) actually shows no other debt. But the same data for May 2019 shows other debts of £14334, with 5 active Payday loans, and 11 other active accounts. It doesn't seem possible that this data wasn't available to Amazon one month before – but I can't comment why that was.

Mr K showed us his credit report. Looking at this, it shows a lot of credit agreements active at the time the Amazon card was approved – approximately 17 were active or had been settled (repaid). I could see that three were in default or arrears. This confirms to me that there was enough evidence to show that Mr K had a lot of other debts – and therefore, Amazon should've at least asked him about those, and their affordability, before giving him the card. I accept that the limit of £500 was relatively low, but that doesn't mean that Amazon shouldn't have done the appropriate and proportionate checks. But – they didn't.

So – I agree that Amazon should've completed more affordability checks and had they done so, they may well have not given Mr K the card.

### **Putting things right**

Mr K has had the use of the money borrowed on the card – so it's not fair to ask Amazon to waive the balance. But, it is reasonable to put Mr K back in the position he would've been in had he not been given the card. So, Amazon should refund all interest and fees charged to the card since it was issued. And – Mr K and Amazon should come to a mutually satisfactory agreement as to how he should repay the resulting debt. Any adverse entries on Mr K's credit file should be removed. And, because this debt has clearly been a worry to him, I agree that Amazon should pay compensation of £50 for distress and inconvenience.

(continued)

### **My final decision**

I uphold this complaint.

NewDay Ltd trading as Amazon Classic Card must:

- Refund interest and charges debited to the card account since it was opened.
- Come to a mutually acceptable arrangement with Mr K for repayment of the balance on the account.
- Remove any markers on Mr K's credit file.
- Pay Mr K compensation of £50 for distress and inconvenience. This should be paid to Mr K, rather than to his card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 May 2021.

Martin Lord  
**Ombudsman**