

The complaint

Mr F complains that NewDay Ltd (trading as Amazon) lent to him irresponsibly in providing a credit card.

What happened

Mr F applied for an Amazon credit card. The application was approved, and an account opened in May 2017, with a credit limit of £500. In April 2020, following some arrears, Amazon passed the account to a third party.

Mr F complained to Amazon – he felt it had acted irresponsibly in providing the card. He said he'd struggled to manage his overall borrowing and Amazon should have looked into his circumstances before approving this card. But Amazon said it didn't think it had done anything wrong.

Our investigator didn't think Amazon had acted irresponsibly by giving Mr F the credit card. He felt it had carried out reasonable and proportionate checks before reaching its lending decision – and that these checks didn't show anything that suggested Mr F couldn't afford the repayments. Mr F asked for his case to be reviewed 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.

This decision is about Amazon's decision to give Mr F a credit card with a limit of £500 and whether that was irresponsible. The Financial Conduct Authority (FCA) sets out rules and guidance for lenders to follow – these can be found in their Consumer Credit Sourcebook (CONC). I've reviewed what this required Amazon to do at the time of Mr F's credit card application.

Before giving Mr F a credit card, Amazon was required to carry out a creditworthiness assessment. This meant making reasonable and proportionate checks to satisfy itself that he'd be able to make repayments in a sustainable way. These checks weren't just about how likely it was that it would get its money back – it had to focus on whether the repayments would adversely affect Mr F's financial situation.

There was no set list of checks that Amazon had to complete, but it had to make sure the checks it had completed were proportionate in the circumstances. There were a number of factors that might affect how extensive these checks needed to be, such as the type and amount of credit, the customer's financial position, their credit history and other financial commitments.

For the amount in question, I'd have expected Amazon to look at the information from the credit bureau (payment history and any details of arrears), the information provided in the application, and what it knew about Mr F from any prior interaction.

Amazon has provided evidence showing it asked questions about Mr F's income and expenditure during the application, as well as obtaining information from a credit bureau. In his application, he declared that he was in full-time employment with an annual income of £45,000, and that his partner had a similar net income to him of £2,786. He said he paid rent of £1200 and had other expenditure of £500. Credit bureau data showed Mr F had 9 active accounts with other financial businesses. It showed he had a total outstanding balance of around £38,800, with no recent defaults and no county court judgments (CCJs).

I haven't seen anything in the information revealed by these checks that should've given Amazon cause for concern that approving £500 credit would adversely affect Mr F's financial situation. Although I have noted the balances, looking at the repayment history that had been obtained there was no evidence that Mr F was having difficulty meeting repayments on them. And at the time he'd been managing another branded card with NewDay well.

I think it's key to consider the amount of credit provided on the Amazon card that would need to be repaid over a reasonable period (assuming all of the limit might be used by Mr F). And I don't think there was anything to indicate that the level of monthly payments on this would cause Mr F to struggle (even if further enquiries had been made). Particularly when taken with the other information Amazon had obtained. Overall, I'm satisfied that these were reasonable and proportionate checks in the circumstances. Mr F's situation may have changed afterwards but at the time the card was approved, I don't find Amazon acted irresponsibly or unfairly.

I know Mr F will be disappointed with this decision but having looked at everything I can't say that Amazon has treated him unfairly when it provided him with this card and credit limit. It follows that I won't be asking Amazon to do anything in relation to this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 June 2021.

Sarita Taylor
Ombudsman