

## **The complaint**

The estate of Ms P has complained that credit was irresponsibly provided to Ms P, by JAJA Finance Limited.

## **What happened**

In July 2016, Ms P took out a credit card with a limit of £4,300. This was with another entity, but it subsequently migrated to JAJA. Therefore, for ease and clarity, I will refer to JAJA throughout. In September 2017, the limit was increased to £8,300. It was then reduced in March 2021, due to missed repayments.

JAJA was informed that Ms P had sadly passed away in February 2021. Accordingly, the outstanding balance was passed to the estate.

The estate complained that the credit had been provided to Ms P irresponsibly. It said she had already had around £70,000 of debt/potential debt at the time, and was also made redundant.

One of our investigators looked into what had happened. He agreed that JAJA had acted irresponsibly.

Our investigator looked first at the lending decision in July 2016. The opening credit limit was £4,300, which he considered to be significant. Therefore, he felt JAJA should've had a thorough understanding of Ms P's financial circumstances – including her income and expenditure. He noted that Ms P completed the application to say she was employed, earning around £32,000 a year. However, he hadn't seen evidence of what consideration was given to her expenditure at the time, and whether repayments would be sustainable.

Our investigator said JAJA could have verified Ms P's income and expenditure by, for example asking her for bank statements, copies of bills and/or payslips. Having looked at bank statements for the time, our investigator couldn't see that Ms P had any income, suggesting she may not have been working. The sum in her account was only decreasing in the period, as she continued to make minimum repayments to other credit providers - showing she wouldn't have been able to sustain repayments indefinitely. The statements show regular repayments to seven credit providers, highlighting concern about the amount of debt Ms P had elsewhere - and this should have been taken into account.

Our investigator said that Ms P's employment status was unclear. But, her employer at the time has provided an email to say she was made redundant - casting significant doubt on whether she was working. But, regardless of Ms P's employment situation, our investigator thought the statements alone were enough to cause concern, given the amount of repayments to existing lenders. Having looked into what these liabilities were, the overall credit limits were substantial – totalling around £58,000. So, even if Ms P had been employed, this was more than her annual income declared on the application form.

A lender is required to look at a customer's ability to repay the maximum amount of credit available over a reasonable period of time. So, it's not enough to just consider Ms P's ability

to make minimum repayments. As it seems Ms P was only making minimum repayments to each of her existing accounts, our investigator didn't think it would be sustainable to add a further £4,300 to her already substantial revolving credit.

Accordingly, our investigator didn't think JAJA should have given Ms P the credit it did in 2016.

He then looked at the lending decision in September 2017, when the credit limit was increased. As there wasn't any persuasive evidence to suggest that there had been any significant and sustained improvement in Ms P's financial circumstances since July 2016, he thought the credit increase in September 2017 shouldn't have been granted either. In fact, by this time, Ms P's overall revolving credit limits totalled over £80,000. He thought it reasonable to say further questions and/or a review of Ms P's credit file would've revealed this.

JAJA disagreed. In summary, it said:

- a credit check was carried out and the score was 0999;
- Ms P declared she was in full-time employment and had been for 23 years;
- Ms P had indicated as part of her application that she did not wish to be exempt from any limit increases that may be available; and
- Ms P maintained her minimum repayment on the account, and if she did so with all of her accounts, this would show a responsible attitude to managing her credit.

The complaint's now been passed to me to decide.

### **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.

First, I would like to extend my condolences to Ms P's estate. I understand this must be a very difficult time for Ms P's executor and wider family.

Having looked at what's happened, I agree that the lending was irresponsible, for the same reasons the investigator gave. I'll explain further.

I've taken, as a starting point, Ms P's employment status. It seems that she was made redundant and was not in other employment. However, even if she were employed, her declared income is meaningless, if there's no corresponding understanding of what her outgoings were. I've seen no evidence that JAJA made any enquiries into this at all. Although I can see it looked at her credit score, I don't think it was proportionate, given that the credit limit was significant. I'd have expected it to look into outgoings. One way of doing this would have been to look at bank statements. There may well also be other methods, but this seems a reasonable one. And, had JAJA done so, it would have seen significant indebtedness, which I'm satisfied should have prompted further investigation. This would likely have shown that Ms P had existing credit limits of some £60,000 at the time of the application – which had risen to £80,000 by the time of the increase. Further, Ms P was only making minimum repayments. This is strongly indicative of an unsustainable cycle of debt. It's not enough to consider constant minimum repayments as being sufficient, because it does not show the debt as sustainable. And Ms P indicating she'd like to be offered future increases does not mean they should simply be granted.

For these reasons, I'm satisfied that the initial lending and subsequent increase were irresponsible – and should not have happened. So, interest, fees and charges should not be applied. Typically, I'd also require any negative information to be removed from the consumer's credit file, but because of the sad circumstances in this case, it wouldn't be of benefit here.

If there is still an outstanding balance, it's unclear to me whether or not the estate will be in a position to repay it. I would urge the executor to contact JAJA to discuss this. If he's unhappy with its response, the estate of Ms P may be able to bring a further complaint to our service.

### **Putting things right**

In order to put things right, JAJA must:

- Rework Ms P's current credit card balance so that all the interest, fees and charges applied to it from July 2016 onwards are removed.
- If this leads to a positive balance, any extra should be treated as overpayments and returned to Ms P's estate, adding interest of 8% simple a year on any overpayments from the date(s) they were made to the date of settlement.

### **My final decision**

It's my final decision to uphold this complaint. I require JAJA FINANCE LTD to take the steps set out above, in the section 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Ms P to accept or reject my decision before 10 January 2023.

Elspeth Wood  
**Ombudsman**