

The complaint

Mr F complains that Inclusive Finance Limited trading as Creditspring (Creditspring) lent to him irresponsibly.

What happened

Mr F applied to be a member of Creditspring in July 2021. He passed Creditspring's checks. Membership then included access to two loan advances of £500 in a year for a membership fee of £10 per month for 12 months. Interest on the loans was zero. Mr F drew the first loan of £500 on 7 August 2021. Four payments of £83.33 (plus the membership fee of £10) were made, but payments stopped after December 2021. In March 2022, Creditspring were advised Mr F was on a debt management plan. Reduced payments of £1.87 were agreed in line with the DMP. These were paid up to July 2022 and the loan was paid off in September 2022.

Mr F complained. He said he shouldn't have been given the agreement in the first place. He said Creditspring didn't do the necessary checks and didn't ask to see bank statements. He said he had many other debts and was on a DMP at the time. He now has a default on his credit file. He said the loan should be written off.

Creditspring said Mr F passed all their credit checks. At the time of his application, Mr F said he had income of £1,500 per month, with expenses of £773 - rent (£275); utilities (£149.50); food (£149.50); Transport (£49.50) and debt repayments (£149.50). Based on those figures, Mr F had disposable income of £727 per month. He had no CCJs, IVAs, or bankruptcies reported on his credit file. It showed unsecured debts of £1,729. Creditspring didn't uphold Mr F's complaint and said they'd lent to him responsibly.

Mr F brought his complaint to us. Our investigator said Creditspring did not do sufficient checks. She thought Mr F was reliant on credit - as he had 11 short term credit agreements with a 94% utilisation – so he wasn't managing his finances very well. She said Creditspring should refund all membership fees paid by Mr F and remove any negative information from his credit file. **(continued)**

Creditspring didn't agree. They said they'd verified Mr F's income at the credit reference agencies. And because the 'other debt' of £1,729 over 11 agreements was low, it wasn't surprising that utilisation was high. And other debt of £1,729 was manageable given Mr F's finances. Creditspring said the credit checks showed Mr F's last debt repayment to be £383 – so they took that into account when making their lending decision.

Creditspring said they had completed sufficient and proportionate checks and asked that an

ombudsman look at Mr F's complaint.

I made a provisional decision which said:

All lenders have an obligation to lend money responsibly. We must check whether Creditspring acted in line within the Financial Conduct Authority (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 bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be more thorough:
 - o the lower a customer's income, and the higher amount to be repaid.
 - o the greater the number of loans and frequency of loans.
 - o the longer the term of the loans.

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I've considered Mr F's complaint in the light of this guidance. And it's fair to say that the loan of £500 was low value – so checks could be less than for larger loans.

I can see Mr F said he had income of £1500 per month. And Creditspring verified that by looking at his credit file at credit reference agencies. His outgoings were £773 – so he had £727 left over to pay Creditspring. His other debts were £1,729 over 11 agreements – but Creditspring did look at this and adjusted his payments to £383 per month, which was what they saw evidenced at the credit reference agencies. But that still left 'disposable' income of £493 per month. So – it looked to Creditspring that he could afford the payments (£93.33).

So, I agree – the payments looked to be reasonably affordable as against Mr F's income and outgoings.

I can also see that there weren't any adverse markers on Mr F's credit file – such as CCJs, bankruptcies or IVAs at the time. If there had been, then Creditspring should have taken those into account.

Mr F has said that he was on a DMP at the time of his application - but I can see his credit file doesn't show that. Creditspring told us the DMP came later – in March 2022. So – I can't expect Creditspring to have been aware of that, as it was in the future.

Mr F has said Creditspring didn't check his bank statements. But these aren't a requirement of the credit checks that Creditspring had to do. So – they didn't need to ask for them. We did ask Mr F for his bank statements but unfortunately, he couldn't provide them.

In summary, I think Creditspring did carry out the necessary and proportionate checks when deciding to offer membership to Mr F, and this provisional decision is that they don't need to do anything.

But this is a provisional decision and we welcome any additional comments that Mr F or Creditspring may have. In particular, if Mr F can provide a copy of his credit file which shows he had other, larger debts; and / or he was on a DMP at the time of the application in July 2021 – then I will consider this in making a final decision.

Responses to the provisional decision:

Neither Mr F nor Creditspring made any comments.

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.

As neither Mr F nor Creditspring made any comments, my final decision is unchanged from the provisional decision. So – Creditspring do not have to do anything.

My final decision

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 19 June 2023.

Martin Lord
Ombudsman