

The complaint

Mr S complains that Koto Card Limited (trading as The Credit Thing) was irresponsible to lend to him.

What happened

Mr S applied for a credit card with The Credit Thing on 3 January 2022 and was approved for a card with a £500 limit.

Mr S says he had over £30,00 of debt and a lot of short-term borrowing when he applied for the credit card. He says his salary was insufficient to cover the repayments and further credit was unaffordable.

The Credit Thing says it checked Mr S's credit file and verified his income and the information did not suggest he was in financial difficulties. It says the new credit was affordable and the lending was not irresponsible.

Our investigator did not recommend that the complaint should be upheld. She was satisfied that The Credit Thing had carried out proportionate checks and that it made a fair lending decision based on the information it received.

Mr S responded to say, in summary, that he was at the peak of his spiralling debt at the time, and this was the last credit arrangement he had approved. He adds that he had a revolving payday loan and that this lender agreed the lending had been irresponsible since August 2018. Mr S says he was making only minimum repayments on three existing credit cards, had opened multiple new accounts just prior to the credit card application and had an overdraft and other loans. He explains that his income was variable, and he had a gambling issue at the time. Mr S adds that he was using loans to repay other creditors, had less work available due to Covid and it had affected his relationships and mental health.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr S's case, I have considered the following questions:

- Did The Credit Thing complete reasonable and proportionate checks when assessing Mr S's application and credit limit to satisfy itself that he would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did The Credit Thing make a fair lending decision?
- Did The Credit Thing act unfairly or unreasonably in some other way?

I've seen evidence to show The Credit Thing asked Mr S about his income and expenditure, verified these figures, and checked his credit file. Those checks showed:

- A verified monthly income of just under £6,000 (compared with the figure of £9,500 declared by Mr S);
- Monthly expenditure of around £4,450 – Mr S declared £1,500;
- Credit file information as follows:
 - Eight active credit accounts;
 - Total debt of £24,169, comprising loans of £17,014 and credit cards of £7,155;
 - A combined credit card limit of £7,200;
 - One search for credit in the preceding 12 months;
 - Monthly repayments on loans of £454;
 - No arrears, defaults or County Court Judgements.

I am satisfied that these checks went far enough because:

- Mr S had roughly £1,500 of disposable income per month;
- The credit card was approved with a limit of only £500;
- His total debt was not unreasonable given his annual income;
- Including credit card repayments, Mr S was only committing around 13% of his verified income to credit each month;
- There was no evidence of multiple new accounts or financial difficulty with his existing accounts;

I accept Mr S says he had developed a gambling problem and a complaint about another lender had been upheld on that basis. However, as I find The Credit Thing's checks were proportionate to the circumstances of the lending and the information it had available, I cannot conclude it needed to carry out the level of checks that would have been needed to identify the gambling expenditure.

In summary, I find The Credit Thing completed reasonable and proportionate checks and made a fair lending decision. I've seen no evidence to suggest it acted unfairly in any other way.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 August 2023.

Amanda Williams
Ombudsman