

Complaint

Mr M has complained about a credit card Lendable Ltd (trading as “Zable”) provided to him. He says the credit card and the subsequent credit limit increases were irresponsibly provided to him as they were unaffordable and provided while he suffered from a gambling addiction.

Background

Zable provided Mr M with a credit card with an initial limit of £200 in June 2021. Mr M’s credit limit was increased to £500 in August 2021 before it was increased to £800 in March 2022.

One of our investigators reviewed what Mr M and Zable had told us. And he thought Zable hadn’t done anything wrong or treated Mr M unfairly in relation to providing the credit card or increasing the credit limit on either occasion. So he didn’t recommend that Mr M’s complaint be upheld.

Mr M disagreed with our investigator’s assessment and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr M’s complaint. I’ll explain why in a little more detail.

Zable needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zable needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Zable says it agreed to Mr M’s initial application for his credit card after it obtained information on his income and carried out a credit search. And the information obtained

indicated that Mr M would be able to make the low monthly repayments due for this credit card.

For the limit increases, it considered Mr M's account activity as well as the external information obtained, justified the small increases offered. On the other hand Mr M says that he was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

Zable's initial decision to provide Mr M with a credit card

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that Zable was required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £200 required small monthly payments (in comparison to Mr M's cross-checked income) in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Zable obtained from Mr M and that was on the credit search carried out. This information doesn't indicate to me that Zable ought to have realised that Mr M didn't have the funds to make the low monthly payment that would be required for this credit card. Mr M might have had defaults on his credit file. But these were not recent ones and the balances were reducing too. So I don't think that this in itself was a reason for Zable to have automatically declined Mr M's application.

Given the information Zable obtained and what it showed, I'm satisfied that Zable was entitled to rely on Mr M's income information and what it had seen in the credit checks which led it to determine that an initial credit of £200 was affordable for Mr M.

As this is the case, I'm satisfied that the checks carried out before Mr M was initially provided with his credit card were reasonable and proportionate.

The credit limit increases

For the first credit increase, it appears as though Zable relied on Mr M's account having been managed well in the period since it had been opened. From what can see Mr M used almost all of the credit available to him as soon as he opened his account.

However, I'm mindful that Mr M did make inroads into what he owed by the time he was offered his limit increases. He owed just under £184 on his August 2021 statement and while it's fair to say that by October 2021 he'd used all of the extra credit given to him as a result of the first limit increase, he was making payments that were much larger than the minimum required. For example, in January 2022, Mr M only owed £100. Furthermore, the external credit checks carried out didn't show that Mr M's indebtedness was increasing elsewhere either. It actually showing that his credit score was improving.

I appreciate that Mr M has provided evidence of a county court judgment ("CCJ") having been recorded against him in July 2021. The first thing for me to say that Mr M's first credit limit increase was offered in August 2021. So I just wouldn't expect his credit file to have had the time to update ahead of this.

I accept that this information should have updated by the time the March 2022 credit limit increase was offered. But I haven't seen anything to indicate that this flagged up on the credit search that Zable carried out. I'm not sure why this happened. However, Zable could only consider what it saw. And, in circumstances where this information didn't show, I can't expect Zable to have taken the CCJ into account – this is especially as all the rest of the

information gathered suggested that the relatively modest additional payments required for the respective credit limits offered, were affordable.

I know that Mr M says that his circumstances were worse than the information gathered showed, as he was struggling with a gambling addiction. I'm really sorry to hear about what Mr M has told us. It's possible that Zable might have reached different lending decisions had it known about this, or obtained information such as bank statements.

But the key thing here is not only did Zable not know about Mr M's gambling, I don't think it can be reasonably expected to have known about it either. And, in these circumstances whilst I do sympathise with what Mr M has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Zable could not have factored this into its lending decisions. I say this particularly in light of everything else suggesting the credit limits were affordable and therefore requesting information such as bank statements would be disproportionate in this instance.

I've also seen that Zable has sent Mr M communications offering him a credit limit increase after his complaint. It's fair to say that this seems somewhat odd for Zable to have offered this limit increase after Mr M had already complained about irresponsible lending. However, as this limit increase hasn't been actioned and Mr M hasn't used the additional credit, I don't think he's lost out.

So overall and having considered everything, while I can understand Mr M's sentiments, I don't think that Zable treated Mr M unfairly or unreasonably when providing Mr M with his credit card or the subsequent limit increases. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 January 2024.

Jeshen Narayanan
Ombudsman