



Complaint

Mr J has complained about a credit card Chetwood Financial Limited (trading as “Wave”) provided to him.

He says that had adequate checks been carried out, via the request of bank statements, he wouldn't have been lent to.

Background

In May 2022, Wave provided Mr J with a credit card with an initial limit of £1,000.00. The credit limit on Mr J's account was never increased.

One of our investigators reviewed what Mr J and Wave had told us. And he thought Wave hadn't done anything wrong or treated Mr J unfairly in relation to providing the credit card.

So he didn't recommend that Mr J's complaint be upheld. Mr J disagreed 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 J's complaint.

Wave needed to make sure it didn't lend irresponsibly. In practice, what this means is Wave needed to carry out proportionate checks to be able to understand whether Mr J 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.

Wave says it agreed to Mr J's initial application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr J would be able to make the monthly repayment due on this credit card. On the other hand, Mr J says that reasonable checks would have shown that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr J was provided with a revolving credit facility rather than a loan. And this means that Wave was initially required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,000.00 didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Wave obtained from Mr J about his income and what was on the credit search carried out. This information doesn't indicate to me that Wave ought to have realised that Mr J didn't have the funds to make the monthly payment that would be required to repay this credit card within a reasonable period of time.

Mr J says that he had previous repayment difficulties – in the form of defaults on previous credit accounts recorded against him - at the time of his application. But I don't think that this in itself meant that Mr J shouldn't have been lent to. Nonetheless, given the amount of the credit limit and what Wave did know about Mr J's previous credit history, I think that there is an argument that it ought to have asked Mr J for some more information about his living expenses before providing him with his credit card.

That said, I don't think that obtaining further information on Mr J's actual living expenses would have made a difference to Wave's decision to lend in this instance. In order to consider what finding out more about Mr J's actual regular living expenses is likely to have shown, I've considered the information Mr J has provided about his circumstances at the time.

To be clear, I've not carried out a forensic analysis of the bank statements provided in order to determine whether the credit card payments were affordable for Mr J. I've simply considered what Wave is likely to have done if it obtained the information it is arguable it should have obtained - Mr J's actual regular living costs - here.

I say this because this information provided does appear to show that when Mr J's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mr J says that he was in a poor financial position at the time and had just entered into a debt arrangement. But's clear that any difficulty Mr J would have making his payments wasn't to do with his committed expenditure, it was to do with his gambling. I accept it's possible – but by no means certain - that if Wave had obtained Mr J's bank statements it may have seen this and chosen not to lend to him as a result.

However, as obtaining bank statements wasn't the only way for Wave to find out about Mr J's actual regular living expenses, I'm not persuaded that Wave ought to have found out about Mr J's gambling, or as he says he was lying on his application in order to obtain more funds to gamble.

Furthermore, I'm satisfied that Mr J not only didn't make Mr J aware of his debt arrangement but it hadn't yet updated on Mr J's credit file so didn't show on the credit search carried out. I have not seen anything to indicate that Mr J got in contact with Wave to notify it of this or the fact that he was struggling until just before this complaint in 2023 either.

Therefore, I'm not persuaded that Wave carrying out further checks here, in the way that it is arguable it should have done, would have resulted in it making a different lending decision in this instance.

So overall while I can understand Mr J's sentiments and I'm sorry to hear about his situation, I don't think that Wave treated Mr J unfairly or unreasonably when providing him with his credit card. It carried out reasonable checks before providing him with his card and I've not seen anything which clearly shows that obtaining more on Mr J's living expenses would have seen it decide not to lend to him in this instance.

Consequently I'm not upholding Mr J's complaint. I appreciate this will be very disappointing for Mr J. 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 J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 21 February 2024.

Jeshen Narayanan
Ombudsman