

The complaint

Mr M's unhappy with two loans Inclusive Finance Limited, trading as Creditspring, provided him with as he says they were unaffordable for him.

What happened

Creditspring provided Mr M with a loan facility for £600 in May 2023. The terms of the facility meant Mr M could make two separate drawdowns of £300 each. But Mr M could only drawdown the second amount once he'd repaid the first £300. Mr M also had a maximum of six months to repay each drawdown.

While there was no interest to be paid on the loans themselves, Mr M did have to pay a monthly membership fee of £10 for 12 months.

One of our investigators reviewed Mr M's complaint. But they didn't think Creditspring had treated Mr M unfairly, and so they didn't recommend that the complaint be upheld.

Mr M didn't agree with the investigator's findings and so the complaint was passed to me to review afresh.

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.

We explain how we handle complaints about unaffordable and irresponsible lending on our website. And I've taken account of that approach to help me decide Mr M's complaint.

Having done so, I don't uphold the complaint. I'll explain why.

Creditspring needed to make sure it didn't lend irresponsibly. In practice, that means it needed to carry out proportionate checks to enable it to understand whether the lending was sustainable for Mr M before providing it.

Generally, we think it's reasonable for lenders' checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But a lender might need to do more if, for example, a borrower's income was low or the amount lent was high. And the longer a lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

Creditspring says it agreed to Mr M's application after he'd provided details of his monthly income and expenditure. It says it also ran a check using a credit reference agency (CRA), the results of which supported the income information Mr M had provided with his application. In Creditspring's view, it was reasonable to lend in the circumstances.

Mr M, however, says the loans were unaffordable and should never have been provided to him. He said his credit file would have shown he had several loans with other lenders and the borrowing with Creditspring only served to increase his debt burden.

On carefully considering what the parties have said, I think it's important to bear in mind that the monthly payments of £60 were low and weren't scheduled to be made over a prolonged period. The information Mr M provided in support of his application indicated his monthly income was more than £3,000. The information he gave about his income and expenditure and existing credit commitments suggested he had a disposable income of several hundreds of pounds. None of this was contrary to anything uncovered by the CRA through the checks it carried out.

Given the amount and nature of Mr M's borrowing, and the information Creditspring gathered at the point of application and via the CRA, I'm satisfied it carried out proportionate checks and made a fair lending decision as a result.

Mr M argues the sheer number of loans he'd taken out by the time of his Creditspring application should have flagged to it that it was inappropriate to lend to him. I can see that the CRA check did reveal there were 13 unsecured loan accounts. But this in itself didn't indicate Mr M was struggling financially given the overall picture and, for example, that no defaults had been reported. The impression given was that, broadly, Mr M was managing his finances.

Mr M also points to Creditspring's offer, in its final response to his complaint, to waive the remainder of his membership fees as '*an admission of guilt*' on its part regarding the lending. But I note Creditspring specifically said in that letter that the offer was made '*without any admission of liability*'. It said its intention was to offer support while Mr M was experiencing financial hardship. Given what I've said about Creditspring having carried out proportionate checks and lending responsibly as a result, I don't think anything adverse should be read into its offer to Mr M or its reasons for making it.

Overall, and while I appreciate this will be very disappointing for Mr M, I don't think Creditspring acted unfairly when providing the loans.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 March 2024.

Nimish Patel
Ombudsman