

The complaint

Miss W says Inclusive Finance Limited, trading as Creditspring, irresponsibly lent to her.

What happened

In February 2022 Miss W agreed to pay a membership fee of £10 per month which allowed her to draw down two loan advances of £500 each during the 12-month term of her agreement with Creditspring. Each advance was repayable over 6 monthly instalments, with no interest payable.

Miss W says Creditspring did not complete proper checks before lending to her. All of her income was from benefits and Creditspring ignored her vulnerabilities. She has autism and dyslexia. This impacts her ability to read, understand and process information so she did not have the capacity needed.

Creditspring says it completed appropriate checks before lending to Miss W and these showed the borrowing was affordable. It said whilst it empathised with Miss W's circumstances, it had not been notified of her vulnerabilities at the time of the application, and the regulatory guidance is that *'A firm should assume a customer has mental capacity at the time the decision has to be made, unless the firm knows, or is told by a person it reasonably believes should know, or reasonably suspects, that the customer lacks capacity.'* However, as a gesture of goodwill, it made an offer to waive the £86 of membership fees owing in full and final settlement of Miss W's complaint.

Miss W did not accept this offer and brought her complaint to this service.

Our investigator did not uphold Miss W's complaint. He said Creditspring completed proportionate checks and there was nothing in the information it gathered that suggested the loan would not be affordable for Miss W. And as Creditspring didn't know about Miss W's lack of capacity at the time of the loan, he didn't think it should or could have done anything differently.

Miss W disagreed and asked for an ombudsman's review. She said during this investigation she had to pay everything with no reduction to the fee, and this loan has caused her financial hardship. She sent in a report to further evidence her lack of capacity.

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've set out our approach to complaints about unaffordable and irresponsible lending on our website. I've taken this into account in deciding Miss W's complaint.

Creditspring needed to take reasonable steps to ensure that it didn't lend to Miss W irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Miss W would be able to pay the loan in a sustainable way. Generally, we think it's

reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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.

This was Miss W's first credit agreement with Creditspring. The amount she would be borrowing at any time was relatively low (£500) and it was repayable over a relatively short period of time. So a less detailed affordability assessment, with less verification might be reasonable and proportionate.

Creditspring says it evaluated the affordability of the borrowing against both self-reported information and cross-checked details for both income and indebtedness against information from Miss W's credit file. It says Miss W reported her income as £1,316. She gave ranges for her living and housing expenses and debt repayments. From this it calculated she would have £820 monthly disposable income. Based on this, Creditspring concluded Miss W could afford the monthly instalments of around £93 to repay the advances and membership fee.

Creditspring also did a credit check. I've looked at the results of this check and there aren't any significant signs that Miss W was in financial difficulties at the time, or that she wasn't able to manage her existing debts.

Overall, there wasn't anything in the checks Creditspring did to suggest Miss W might have difficulties sustainably repaying the advances she was given. So I wouldn't have expected it to do any further checks or verification – particularly given the level of borrowing, term of repayment and lack of any previous lending relationship with Miss W. Miss W has raised that all her income was from benefits, but the regulatory guidance allows a lender to include benefit income in its affordability assessments.

In the round, I find Creditspring made a fair lending decision.

Did Creditspring act unfairly towards Miss W in some other way?

I don't think it did. I will explain why.

Miss W said it ignored her vulnerabilities. But I have found no evidence that it was on notice of her lack of capacity when it made its lending decision. So I cannot say it ought to have done anything differently. As the debt is now settled I assume the parties will have no more contact but if they were to, I would remind Creditspring that it is now on notice and must respond appropriately.

Miss W has also raised that she had to repay the debt in full during this investigation, the membership fee was not reduced. But that was a goodwill offer Creditspring made in its final response letter as full and final settlement of this complaint – so by default it fell away when she brought her complaint to this service.

My final decision

I am not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 10 April 2024.

Rebecca Connelley
Ombudsman