

## **The complaint**

Ms S complains that Madison CF UK Limited (“Madison”) irresponsibly granted her a credit card account she couldn’t afford to repay.

## **What happened**

Ms S entered into an agreement with Madison to have access to credit with a credit card account that was opened in January 2021. The opening credit limit was £1,200. In October 2021 it was increased to £2,500.

Ms S says that Madison didn’t complete adequate affordability checks, both when it opened the account and when it increased her credit limit. She says had it done so, it would have seen that the credit wasn’t affordable for her and that she was in difficult financial circumstances from the outset.

Madison didn’t agree. It said it carried out a reasonable and proportionate assessment to check Ms S’s financial circumstances before granting the credit and increasing the credit limit.

Our investigator didn’t recommend the complaint be upheld. They thought that, whilst Madison could have carried out better checks, it hadn’t acted unfairly or unreasonably.

Ms S didn’t agree and so her complaint has been passed to me for a final decision.

## **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.

Madison will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

I’ll consider the card opening first and then the credit limit.

### *Card opening*

Before providing Ms S with the card, Madison says it carried out a credit check. This included asking her about her income and employment and regular expenditure. It also used statistical data to work out what her monthly spending might be and carried out a check using a credit reference agency.

The copy of Ms S's credit report shows that she'd had debt relief order put in place in 2019 – which was discharged a year later - and that she'd defaulted on credit at least 5 times in the previous three years. Given that she'd also had an active credit history in the recent past, I think this therefore ought to have indicated that there was at least the possibility that Ms S could be at risk of struggling financially. So I think Madison ought to have been prompted to carry out better checks before agreeing the lending in order that it could have got a more thorough understanding of Ms S's financial circumstances. One way to do this would be to gain a better idea about Ms S's regular expenditure.

Ms S has provided us with evidence and information about her financial circumstances at the time of the account opening. This has included sending us copy bank statements, which is helpful to gain an indication of what Madison might have found had it carried out better checks before agreeing the lending. This shows that in the months leading up to the credit being granted she was receiving a total income that averaged just over £2,000. She appeared to be managing her bank account well and was able to fund her day-to-day living costs and non-credit committed expenditure without having to resort to using her overdraft. And I've kept in mind that were she to have used the full credit granted to her, a sustainable monthly repayment based on 5% would have worked out at around £60 per month.

I'm therefore satisfied that at this point Ms S appeared to have enough disposable income each month to make regular, sustainable repayments towards her new card. It follows that had Madison completed proportionate checks, I think it's likely it would have discovered this too. So ultimately I don't think Madison acted unfairly when agreeing to provide the opening credit.

#### *Credit limit increase*

The credit limit increase came nine months after the account opening. Being an increase of £1,300, it more than doubled the initial opening credit. By this point, Ms S had been managing her first card for several months without getting into difficulty. I've seen that her balance went up to £1,000 by May 2021 and then was paid off in full. I'm aware that Ms S had also taken out a loan with Madison at around that time. That's been looked at already by an ombudsman colleague as a separate complaint.

Again, I have concerns that Madison's checks didn't go far enough to ensure that the additional credit would be affordable for Ms S. I say this especially as by now Madison had knowledge of the way Ms S was using her card and that she'd recently also taken out a loan with them.

Ms S's bank statements don't show any significant deterioration in her financial circumstances since the granting of the opening. Her total income, although varying slightly from month to month, had remained broadly the same in the run-up to the limit increase. And she continued to manage her bank account relatively well without having to dip into an overdraft facility.

It follows that, having carefully considered all the evidence and information I've seen about Ms S's financial situation, there isn't enough to persuade me that, had it performed better checks, Madison would or should have seen that her circumstances were in such a way as to make giving her either the initial credit facility or the limit increase unreasonable. From

what I've seen I think Ms S was generally in control of managing her daily outgoings and existing credit commitments and was likely to have been left with enough disposable income each month to be able to continue making affordable repayments on the card.

In reaching my decision I've thought very carefully about everything Ms S has said in response to our investigator's view. I do realise that Ms S has experienced some challenging circumstances and that this won't be the outcome she is hoping for. I am sorry to have to disappoint her on this occasion.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 29 March 2024.

Michael Goldberg

**Ombudsman**