

The complaint

Mrs J complains that the loan she had from Inclusive Finance Limited (trading as Creditspring) was unaffordable to her and that its poor communication resulted in the account defaulting.

What happened

Mrs J was approved for the following loan from Creditspring in October 2021:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>
1	28 Oct 2021	£1,000	12m	£93.35

Mrs J says that if Creditspring had carried out better checks it would have seen that she was a gambling addict, and the lending was unaffordable. She adds that she tried to contact Creditspring on multiple occasions as she was unable to add her bank account to the system. Mrs J says that she was trying to avoid the loan defaulting, but, when she couldn't add her account, the default was applied regardless. She says this has caused her stress, as well as the damage to her credit report and she wants the negative information removed from her credit file.

Creditspring says it carried out proportionate checks and found the loan was affordable to Mrs J on that basis. However, it offered to waive £80 of membership fees as a gesture of goodwill. It adds that it responded to Mrs J with an explanation of how to verify her new bank account but says that the necessary information was never received from her.

Our investigator did not recommend the complaint should be upheld. He was satisfied that Creditspring had carried out proportionate checks and that the information showed the loan to be affordable. Our investigator also considered whether the default had been correctly applied and found that it had been.

Mrs J responded to say, in summary, that she did not get an adequate chance to avoid the default. She added that some of Creditspring's texts went into her junk and yet Creditspring said such a thing does not exist.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mrs J's case, I have considered the following questions:

- Did Creditspring complete reasonable and proportionate checks when assessing Mrs J's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Creditspring make a fair lending decision?
- Did Creditspring act unfairly or unreasonably in some other way?

Affordability

I have considered the information from the checks that were carried out by Creditspring and it shows:

- Mrs J's income was roughly £1,400 per month;
- Mrs J said her rent was £250 per month, with spend on food, travel and utilities totalling around £250 per month;
- Nine loan accounts and two credit card accounts;
- Mrs J declared her credit commitments to be less than £100 per month, although Creditspring's credit check showed a monthly debt payment of £358;
- The only adverse information on Mrs J's credit file was a default from 54 months earlier;

This left Mrs J with a calculated disposable income of over £500 and so Creditspring found the repayment of £93 per month was affordable to her.

I'm satisfied these checks went far enough in the circumstances of the loan and that Creditspring made a fair lending decision.

Application of the default

Creditspring says Mrs J made two payments towards the loan - £10 in February 2022 and £1 in October 2022. It says she also made four of the twelve £10 membership fees, but that it has now waived the remaining £80 as a gesture of goodwill.

I have considered all the correspondence sent by both Mrs J and Creditspring in the lead up to the default. Creditspring said it asked Mrs J for an alternative linked bank account on 3 November 2022 as the one on its records was now closed. It then sent a default notice on 12 January 2023 which outlined how she could avoid the account defaulting. I have also seen messages:

- asking Mrs J to get in touch following her initial missed payments;
- from July 2022 asking Mrs J to get in contact before Creditspring notifies the credit agencies;
- that offered Mrs J a payment arrangement of £40 per month to avoid the default. This was sent on 13 January 2023.

I have seen evidence that shows Mrs J responded to the July 2022 message asking how much time she had before the credit agencies were notified. She also told CreditSpring, on 13 January 2023, that she was having trouble adding her new bank account details. Creditspring responded on both 13 January and 16 January 2023 with instructions on what Mrs J needed to do to verify the new account and said the £40 per month offer could only be kept open until 17 January 2023.

As Mrs J never verified her account, Creditspring defaulted her account on 14 February 2023.

I don't doubt Mrs J when she says some messages went into a junk folder, although the evidence she has sent for this related to her email account, rather than text messages.

Given that Mrs J took out the loan in October 2021, and never made a contractual repayment, I don't consider Creditspring acted unfairly by defaulting the account 16 months later. I acknowledge that Mrs J says she wasn't given enough time to avoid the default, but from the evidence I have seen, I'm satisfied Creditspring acted positively and sympathetically towards Mrs J, and I consider she would have reasonably known that there would have been consequences for the lack of repayments over an extended period.

Finally, I've also considered whether Creditspring acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Creditspring lent irresponsibly to Mrs J or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 29 August 2024.

Amanda Williams
Ombudsman