

## **Complaint**

Mr M has complained about a credit card JAJA Finance Ltd (trading as “Asda” Money Credit Card) provided to him.

He says that he shouldn’t have been given the credit card and that it was irresponsibly provided to him.

## **Background**

In December 2023, Asda provided Mr M with a credit card which had a limit of £1,900.00. Mr M wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr M and Asda had told us. And she thought Asda hadn’t done anything wrong or treated Mr M unfairly in relation to providing the credit card.

So she didn’t recommend that Mr M’s complaint be upheld. Mr M 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.

Having carefully considered everything, I’ve decided not to uphold Mr M’s complaint. I’ll explain why in a little more detail.

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 M’s complaint.

Asda needed to make sure it didn’t lend irresponsibly. In practice, what this means is Asda needed to carry out proportionate checks to be able to understand whether Mr M 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 don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – 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.

Asda says it agreed to Mr M’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr M would be able to make the monthly repayment required to clear the balance that could be owed within a reasonable period of time.

On the other hand Mr M says 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 M was provided with a revolving credit facility rather than a loan. And this means that Asda was required to understand whether a credit limit of £1,900.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,900.00 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen records of the information Asda obtained from Mr M about his income and what was on the credit search carried out. Asda says that Mr M declared a salary of £40,000.00 a year. Furthermore, the credit search showed that Mr M didn't have any significant adverse information – such as defaulted accounts or County Court Judgments – recorded against him either.

Bearing in mind the information that was gathered and what it showed there is a reasonable argument for saying that Asda's checks were reasonable and proportionate.

In any event, even if I were to agree that Mr M's existing commitments meant that Asda ought to have done more in this instance, it's also not even immediately apparent to me that further checks would have made a difference. I say this because I think that further checks would, at the absolute maximum, have consisted of finding out more about Mr M's living expenses rather than relying on him having sufficient funds left over to cover them.

In my view, the bank statements provided appear to show that Mr M had sufficient funds left over, once his credit commitments and discernible regular living costs were deducted from his income, in order to make the payments he could have had to make as a result of using the credit available to him on this card.

I accept that Mr M's actual circumstances at the time may have been worse than what the information about his living costs shows. I know that Mr M has referred to his additional spending. I also accept that if Asda had known about this as Mr M appears to be saying it should have it's possible, but by no means certain, that it may have reached a different decision on providing the credit card.

But the truth is, given the circumstances here and what Asda needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements for all of Mr M's accounts – especially as bank statements weren't the only way that Asda could find out about Mr M's living expenses in the first place. And they certainly wouldn't have gone into the level of granularity required to discover Mr M's additional spending.

In my view, delving into the detail of Mr M's bank statements in this way isn't commensurate with a proportionate check given the circumstances of his application and what Asda did know. And most crucially I'm satisfied that Asda taking further steps to find out more about Mr M's living expenses won't have led it to determine that the repayments for this credit card were likely to be unaffordable for Mr M.

So overall and having considered everything I don't think that Asda treated Mr M unfairly or unreasonably in approving his credit card application.

In reaching this conclusion I've also considered whether the lending relationship between Asda and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Asda irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr M. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 August 2024.

Jeshen Narayanan  
**Ombudsman**