

The complaint

Mr P complains that Zempler Bank Limited trading as Cashplus irresponsibly lent to him.

What happened

Mr P was approved for a Cashplus credit card in September 2023 with a £1,000 credit limit. Mr P says that Cashplus irresponsibly lent to him. Mr P made a complaint to Cashplus.

Cashplus did not uphold Mr P's complaint. They said Mr P declared an annual income of £29,000. They said their checks showed the repayments would be affordable. Mr P brought his complaint to our service.

Our investigator did not uphold Mr P's complaint. She said the information and evidence Cashplus had gathered showed he could sustainably afford the credit. She said she didn't think that there was anything in the information Cashplus gathered that ought to have highlighted any concerns about Mr P being able to sustainably afford the credit, so she didn't think Cashplus acted unfairly in approving the account.

Mr P asked for an ombudsman to review his complaint. He asked if he could set up a repayment to clear the debt by paying £50 a week. He said Cashplus didn't check his credit file, and his credit usage would have shown he was at his credit limits. Mr P says that he had two bikes on finance with the repayments being over £300 a month, and he had credit cards, shopping catalogues and sofa finance. He says the debt has been passed to another company.

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.

Before agreeing to approve the credit available to Mr P, Cashplus needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Cashplus have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Cashplus said they did when initially approving Mr P's application. Cashplus said they looked at information provided by a Credit Reference Agency (CRA) and information that Mr P had provided before approving his application.

The information showed that Mr P had declared an annual income of £29,000. But that's not all Cashplus's data showed. The data appears to show that Mr P had live outstanding unsecured balances of £4,169 reported to them from the CRA they used.

From the credit file checks Cashplus completed, it showed Mr P was within his credit limits. And he still had available credit that he could use also, so he wasn't at his credit limit amount at the time the checks were completed. So there didn't appear to be any obvious signs that Mr P was having any financial difficulty on his live accounts at the time his application was approved.

But I couldn't see if there were any historical financial difficulties Mr P had, for example, if he had any defaults or any County Court Judgements (CCJ's) on his credit file, and if he did, how much these were for, and when they were registered. So I asked Cashplus to see if they had gathered this information. They told me they would internally source this, but despite multiple deadlines I gave them to respond, I still haven't received the information on this point.

I also asked Mr P if he could provide his full credit file so I could see if this displayed any defaults or CCJ's prior to the lending decision. I'd like to thank Mr P for trying to send me this, and I've reviewed the screenshots he's sent me, but I'm unable to determine if there were any defaults or CCJ's showing on his credit file prior to the lending.

So I can't rule out that Mr P had adverse information showing on his credit file prior to the Cashplus application being approved for him. But it may help to explain here that, while information like a CCJ or a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing.

So I've looked at the other information that Cashplus considered prior to approving his application. They took his declared annual income of £29,000 and they deducted estimated tax and national insurance from this figure to get a net figure. They calculated this figure to be £1,937.95 a month, which is in line with a net £29,000 annual income.

Cashplus estimated Mr P's debt obligations to be £502.14 a month from the £1,937.95 monthly net income. Cashplus took into account living costs, estimated using data from the Office of National Statistics, which is an acceptable industry standard way of calculating costs. They estimated the living costs to be £697.57 a month. Cashplus also determined that even if Mr P was to repay £100 a month towards his approved Cashplus account, he would still have £638.24 a month disposable income.

So it does appear that the checks Cashplus carried out here, prior to approving the £1,000 credit limit were proportionate and that Cashplus made a fair lending decision to approve Mr P's application.

I've considered what Mr P has said about him wanting to make repayments of £50 a week. The debt has been passed onto a debt collection company, which Cashplus were entitled to do this. I would urge Mr P to contact the owners of the debt to see how he can make the repayments to his account, and to ensure that the repayments are affordable for him. If they are not affordable to him, the debt owners should arrange an affordable repayment plan for Mr P.

I've also considered 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 Cashplus lent irresponsibly to Mr P or otherwise treated him 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. So it follows I don't intend to ask Cashplus to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 October 2024.

Gregory Sloanes
Ombudsman