

The complaint

Mr L complains that JAJA FINANCE LTD irresponsibly lent to him.

What happened

Mr L was approved for a Jaja credit card in December 2023 with a £900 credit limit. But he says he was unemployed at the time, was vulnerable, and he had health issues, so Jaja shouldn't have approved his application. Mr L made a complaint to Jaja.

Jaja did not uphold Mr L's complaint. They said Mr L told them he was self-employed, and he had income of £1,200 a month. They said they conducted credit checks and approved Mr L for a credit limit of £900. Mr L brought his complaint to our service.

Our investigator upheld Mr L's complaint. He said that proportionate checks would have shown the repayments weren't affordable nor sustainable for Mr L. He said Jaja should rework the account, and if there was an outstanding balance after the rework they should arrange an affordable payment plan with Mr L, and once the balance has been repaid they should remove any adverse information in relation to the account from his credit file.

Jaja accepted our investigator's view, but Mr L asked for an ombudsman to review his complaint. He said that as the lending was irresponsible, he feels Jaja should write off a portion of the outstanding balance due to them not completing due diligence with their checks. He also told us about adverse information on his credit file.

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.

As Jaja have agreed with our investigator's view that the lending was irresponsible, then there is no decision for me to make on this point. So what I have considered, is Mr L's request to have a portion of the balance written off due to Jaja not completing proper checks when approving his application.

While I can understand Mr L's logic for this, it would not be proportionate for me to ask Jaja to write off any of the remaining balance, even though they've conceded they shouldn't have approved Mr L for the credit card. This is because the redress would remove all fees, interest and charges. So it is only fair to expect Mr L to repay the credit he has used.

I've considered what Mr L has said about the adverse information Jaja has recorded on his credit file. But if there will be an outstanding balance after Jaja reworks his account, then Jaja would not be expected to remove adverse information prior to the outstanding balance being fully repaid. This is because an outstanding balance will remain, and Mr L would be expected to repay this. It is only fair for this to be reflected on his credit file so that future lenders can take into account what a consumer already owes when deciding whether to lend.

In addition to this, if Jaja were to remove a default that they register on Mr L's credit file, and if he falls behind or fails to pay what's owed, then this wouldn't stop Jaja from re-recording another default, which could then appear on his credit file for longer than the usual six years.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr L in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that Jaja rework Mr L's account removing any interest, charges and fees that have been applied, arrange an affordable repayment plan with Mr L if there is a remaining balance after the rework, and once the balance is cleared they should remove any adverse information about the account from Mr L's credit file, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint in part. JAJA FINANCE LTD should take the following actions:

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mr L along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Jaja should also remove all adverse information regarding this account from his credit file;

Or, if after the rework there is still an outstanding balance, Jaja should arrange an affordable repayment plan with Mr L for the remaining amount. Once Mr L has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*If Jaja consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr L how much they've taken off. They should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 September 2024.

Gregory Sloanes
Ombudsman