

The complaint

Miss M is complaining about ONMO Limited because she says it lent irresponsibly by providing her with a credit card she couldn't afford. She's also dissatisfied with its response after she contacted it to say she was in financial difficulty.

What happened

In March 2023, Miss M opened a credit card account with ONMO. The credit limit was set at £2,000.

In August 2023, Miss M contacted ONMO to say she was in financial difficulty and wanted to arrange a payment plan. While no payment plan was agreed, ONMO did apply '*breathing space*' to the account. It was then notified in December 2023 that Miss M had entered a debt management plan with a debt charity.

Our investigator didn't conclude the complaint should be upheld. While he felt ONMO should have carried out a more thorough affordability assessment before approving Miss M's application, he concluded this would have showed repayments were affordable.

Miss M didn't accept the investigator's assessment. She pointed out that she was previously in a debt management plan and was still paying money back to her family in connection with that. She also said ONMO hadn't helped her by arranging a payment plan when she asked for this.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Miss M's application

Before lending to Miss M, ONMO was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did ONMO complete reasonable and proportionate checks to establish Miss M would be able to repay the credit in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the

decision to lend have been fair and reasonable in light of that information?

ONMO has described the information it gathered to assess whether Miss M's credit was affordable before it was approved. This included:

- information contained in her application, including her employment status and income;
- information obtained from a credit reference agency (CRA), giving details of her existing credit arrangements and any past issues with credit; and
- an expenditure assessment using a combination of modelled data for key expenses, along with actual data from the CRA about the cost of her existing credit arrangements.

In making her application, ONMO's records show Miss M declared her monthly net income was £2,000. In respect of her existing commitments, the credit check completed by ONMO showed she had a low level of debt compared to her income, that she was up to date with payments on those accounts, and had no recent history of defaulting on debt.

ONMO says it also considered Miss M's key expenditure based on a combination of her existing credit commitments as recorded by the CRA and modelled statistical data to estimate other living expenses. In this way, it determined she had sufficient disposable income to afford the additional credit.

While her current situation appeared relatively healthy, Miss M's credit file does show evidence of past issues with credit, including previous use of short-term, high-cost credit and other loans that had been settled after a period of missed payments. It also shows she opened three other lines of credit in March 2023, but this was very close to the date of her ONMO application and I don't think this information would have been available when that was being considered. Nonetheless, I think Miss M's past issues with credit should have prompted ONMO to make more detailed checks and that an affordability assessment based partly on modelled statistical data wasn't proportionate in this case.

I can't know exactly what further checks ONMO might have carried out at the time, but I think a consideration of Miss M's actual income and expenditure would have been appropriate. To establish what information could reasonably have been discovered, I've reviewed copies of her bank statements for the period before her ONMO application.

The statements appear to show Miss M's income from employment was actually slightly higher than the £2,000 declared in her application. They also show the account retained a positive balance throughout the period and that she appeared to be managing her finances well enough. It also appears much of her spending was on non-essential items and that she was likely to be able to afford reasonable repayments to ONMO even if the full amount of available credit was used.

After considering this information carefully, I don't think there was any indication Miss M was struggling financially at this point. She wasn't heavily indebted compared to her income and seemed to be managing her existing commitments well. If ONMO had carried out a more detailed affordability assessment, I think it would still have been entitled to believe the credit being offered was affordable and that the decision to lend was ultimately a reasonable one.

ONMO's response to Miss M's financial difficulties

ONMO has provided evidence of its communications with Miss M after she contacted it in August 2023 to say her circumstances had changed and she was in financial difficulty. I can see she asked for a payment plan to be set up, but this wouldn't have been possible as the

£50 per month she was offering wasn't sufficient to cover the minimum payment and make a meaningful contribution to repaying outstanding arrears.

Instead, ONMO applied breathing space to the account, which means it stopped applying interest and charges and paused collections activities. I think this was the right response in the circumstances and it meant any payments Miss M could afford to make would be used to reduce the amount she owed. Shortly after this, ONMO was notified Miss M had entered a debt management plan.

In summary

Based on the information that ONMO could reasonably have obtained at the time of Miss M's application, I'm satisfied it made a fair decision to lend. While I appreciate she may feel it could have done more to help her when she began experiencing financial difficulty, I think ONMO's response was appropriate in the circumstances.

It's for these reasons that I'm not upholding Miss M's complaint. I realise this outcome will be disappointing for her and leaves her in a difficult position, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

In reviewing this complaint, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think ONMO lent irresponsibly to Miss M 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

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 September 2024.

James Biles
Ombudsman