

Complaint

Mr T has complained about a credit card Chetwood Financial Limited (trading as “Wave”) provided to him. He says that sufficient checks weren’t carried out before he was provided with the credit card.

Background

In June 2022, Wave provided Mr T with a credit card with an initial limit of £500. The credit limit on Mr T’s account was never increased.

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

So he didn’t recommend that Mr T’s complaint be upheld. Mr T 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.

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 T’s complaint.

Wave needed to make sure it didn’t lend irresponsibly. In practice, what this means is Wave needed to carry out proportionate checks to be able to understand whether Mr T 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 think it’s reasonable for a lender’s checks to be less thorough – 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.

Wave says it agreed to Mr T’s initial application after it obtained information on his income and carried out a credit search. And, in its view, the information obtained indicated that Mr T would be able to make the monthly repayment due on a credit card with a limit of £500.

On the other hand, Mr T says that reasonable checks would have shown 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 T was provided with a revolving credit facility rather than a loan. And this means that Wave was initially required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than in one go. I think that it's fair to say that a credit limit of £500 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've also seen records of the information Wave obtained from Mr T about his income and an overview of what would have been on the credit search carried out. This information doesn't indicate to me that Wave ought to have realised that Mr T didn't have the funds to make the monthly payment that would be required to repay this credit card within a reasonable period of time.

I accept that Mr T says that he was in a poor financial position at the time and that he was more indebted than Wave believed. But Wave's credit check wasn't as granular and wouldn't have contained as much information as the full copy of the credit file which Mr T will have consulted to form his opinion now.

Indeed, Wave was obtaining a snapshot of what Mr T owed at that particular time and credit reports take some time to update. Whereas Mr T will have obtained a full copy of his credit report, after the event, and this will show his full credit history going back six years. I don't think that Mr T is comparing like with like when arguing what Wave ought to have known about.

I've also thought about what Mr T has said about gambling appearing on his bank statements. However, I don't think that obtaining bank statements would have been proportionate in this instance where a credit card with a low limit was being provided. So I'm not persuaded that Wave ought to have known about Mr T's gambling and I therefore don't think that this could have factored into its assessment of Mr T's ability to repay this credit card.

Overall while I can understand Mr T's sentiments and I'm sorry to hear about his situation, I don't think that Wave treated Mr T unfairly or unreasonably when providing him with his credit card.

In reaching my conclusions, I've also considered whether the lending relationship between Wave and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Wave irresponsibly lent to Mr T or otherwise treated him unfairly. 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.

I'm therefore not upholding Mr T's complaint. I appreciate this will be very disappointing for Mr T. 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 T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 October 2024.

Jeshen Narayanan
Ombudsman