

The complaint

Miss H complains that Inclusive Finance Limited trading as Creditspring was irresponsible in its lending to her. She wants all interest and charges paid refunded along with statutory interest and any negative information removed from her credit file.

What happened

Miss H was provided with three loan agreements by Creditspring each of which provided her with access to two loans. She says that adequate checks weren't carried out before the lending was provided. She said she had suffered economic abuse over many years and had a poor credit history. She explained she was in financial difficulty and suffers from depression and anxiety.

Creditspring issued a final response to Miss H in May 2024. It explained that it didn't charge interest or late fees so the cost of credit wouldn't exceed the membership payments. It said that before providing credit it performed a credit check to ensure the lending would be sustainably affordable. It noted that a customer having adverse information on their credit file wouldn't exclude them from borrowing and the application would be credit scored to see if the lending could be agreed. It also said affordability checks were undertaken with information about income and expenses requested. Based on the information it received it found the lending was affordable for Miss H.

Creditspring noted the information Miss H had provided about her personal circumstances and mental health but said it wasn't aware of this at the time of the lending. While Creditspring didn't accept it had acted irresponsibly, given what Miss H had explained about her circumstances, it offered to waive the remaining balance of Miss H's membership fees (£70) as a gesture of goodwill.

Miss H referred her complaint to this service.

Our investigator thought that Creditspring conducted reasonable and proportionate checks before it opened the account for Miss H. However, when he considered the information gathered, he thought this showed Miss H was struggling financially before the lending was provided. Given this he thought there was a significant risk that Miss H wouldn't be able to repay the loans. Therefore, he upheld this complaint and recommended that Miss H only be required to repay the amounts she had borrowed, be refunded any overpayments along with interest and have any adverse information removed from her credit file.

My provisional conclusions

I issued a provisional decision on this complaint the details of which are set out below.

I am very sorry to hear of the experience Miss H has had over the past years and the situation this has left her in. I thank her for her honesty regarding her personal circumstances and the ongoing mental health conditions she suffers from. I have taken this into account when assessing this complaint. But for me to uphold this complaint I would

need to be satisfied that Creditspring had done something wrong or treated Miss H unfairly in its lending decisions.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss H was provided with three loan agreements by Creditspring. The first in November 2020, second in April 2022, and the third in May 2023. These each had a minimum term of 12 months in which two drawdowns could be made (the second drawdown could only be made once the first had been repaid). The drawdown amounts were £250 each in the first two agreements and £300 in the third agreement. There was no interest on the loans, but a monthly membership fee was charged.

Before the lending was provided, an income and expenditure assessment and credit check were carried out. Based on Miss H's declared income and the size and cost of the borrowing I find the initial checks carried out were proportionate.

However, just because I find the initial checks were proportionate, this doesn't necessarily mean that the information received didn't give rise to further questions or that the lending was responsible. I have looked through the information provided to assess whether this showed the lending to be affordable for Miss H and whether there were any other reasons why the lending shouldn't have been provided.

The information gathered prior to each agreement being provided included income and expenses. Miss H's monthly income was recorded on each occasion as £2,200, her rent as £577 and food as £250. Additional to this, amounts were recorded for Miss H's other debt repayments, transport and utilities. Based on these costs, Miss H had disposable income of over £1,100. Given the costs of the agreements (ranging from £6 to £10 a month) the information gathered shows the agreements to be affordable to Miss H.

I have looked at the other information gathered, specifically her credit check results to see if there is evidence, aside from the affordability, that meant the agreement shouldn't have been provided. In the check carried out in November 2020, no data was returned in regard to insolvencies, county court judgements or individual voluntary arrangements in the previous six years. No accounts were noted as being in a debt management or non-settled debt arrangement. The worst status recorded in the previous month was one month in arrears. So, while I note that the credit report Miss H has provided shows three defaults recorded around seven months before the November 2020, I do not find from the information Creditspring received that further questions should have been asked or that it was wrong to provide the agreement.

Before the second agreement was provided, the credit check results noted Miss H's worst status as being default (although the information received showed this was historic). Her credit card utilisation was recorded as 101% and she had nine unsecured loan accounts. I think that these factors should have raised concerns that Miss H might be struggling financially. Given this I think it would have been reasonable to ask Miss H further questions about her financial circumstances. Having looked at Miss H's credit file, this showed she had a county court judgment recorded in March 2021 as well as defaults recorded in March 2020. While this adverse information should have raised concerns, given the judgment was

recorded more than a year before the agreement and the defaults two years before the agreement, I do not find this was enough to say that the lending shouldn't have been provided. Based on the evidence I have seen, it appears that Miss H did manage her previous agreement with Creditspring well and given the size of the loans and the cost of these compared to Miss H's income and calculated disposable income, I do not find I have enough to say Creditspring was wrong to provide the April 2022 agreement.

Miss H's credit check before the third agreement was provided showed her credit card utilisation as 32% and the age of her most recent default as 56 months. There was still no data recorded about the county court judgment but as this had been recorded more than two years prior, I do not find this was a reason not to provide the agreement. Miss H was recorded as having 13 unsecured loan accounts. This is a high number and I think further questions should have been asked. Based on the credit report Miss H has provided, further questioning may have identified a further default recorded in May 2022. Noting that there didn't appear to be any issues with the management of the previous Creditspring loans and considering the size and cost of the agreement compared to Miss H's income, I do not find the adverse information noted in her credit report was enough to say that the agreement shouldn't have been provided.

I have considered the information Miss H has told us about her personal circumstances over the past years, including when these agreements were provided. I am very sorry to hear of the suffering she has endured. However, I have nothing to suggest that Creditspring was aware of Miss H's circumstances or should have been reasonably aware of these at the time of the lending decisions. Therefore, I do not find that I can say Creditspring was required to do anything differently based on the information it had available to it at the time of the lending decisions.

That said, once Creditspring became aware of Miss H's circumstances we would expect it to show forbearance. I note that Creditspring offered to waive the outstanding membership fees owed by Miss H and in this case, I find this shows it treating her sympathetically given what it now knows.

I've also considered whether Creditspring acted unfairly or unreasonably in some other way given what Miss H has complained about, including whether its relationship with Miss H might have been unfair under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Creditspring lent irresponsibly to Miss H 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.

Miss H responded to my provisional decision. She reiterated that she was in financial difficulty at the time and said she had to take out credit to pay existing debts and her credit score was poor. She said she was waiting for an assessment for a medical condition and that she couldn't manage her money. She asked if the settlement was for all membership fees to be waived.

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.

I have noted Miss H's response to my provisional decision and confirm that my conclusions haven't changed. As I set out in my provisional decision, I think the checks carried out before the first agreement was provided were reasonable and based on these, I do not find that Creditspring was wrong to provide the lending. Before the second and third loan agreements

were provided, I think that further questions should have been asked, given the results of the credit checks. But I do not find that had this happened there is enough to say that the lending shouldn't have been provided.

Miss H has explained her circumstances, and I am very sorry to hear of the situation she is in. Given the information she has disclosed I would expect Creditspring to treat her positively and sympathetically and I find that the offer to waive the outstanding membership fees (noted to be £70) is a reasonable response.

Miss H has asked if all the fees are being waived. I haven't recommended this. Instead, I am recommending that Creditspring waives the outstanding membership fees as it has offered. I find this a fair resolution to this complaint.

As I set out in my provisional decision, I've also considered whether Creditspring acted unfairly or unreasonably in some other way given what Miss H has complained about, including whether its relationship with Miss H might have been unfair under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Creditspring lent irresponsibly to Miss H 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

My final decision is that Inclusive Finance Limited trading as Creditspring should, as it offered, waive the remaining balance of Miss H's membership fees in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 31 October 2024.

Jane Archer
Ombudsman