

Complaint

Mr M has complained about a credit card Lendable Ltd (trading as “Zable”) provided to him. He says the credit card and the subsequent credit limit increases were irresponsibly provided to him as they were unaffordable.

Background

Zable provided Mr M with a credit card with an initial limit of £200 in March 2023. Mr M’s credit limit was increased to £500 in February 2024.

One of our investigators reviewed what Mr M and Zable had told us. And she thought Zable hadn’t done anything wrong or treated Mr M unfairly in relation to providing the credit card or increasing the credit limit. So she didn’t recommend that Mr M’s complaint be upheld.

Mr M disagreed with our investigator’s assessment 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 M’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr M’s complaint. I’ll explain why in a little more detail.

Zable needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zable needed to carry out proportionate checks to be able to understand whether Mr M 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.

Zable says it agreed to Mr M’s initial application for his credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr M would be able to make the low monthly repayments due for this credit card.

For the limit increases, it considered Mr M's account activity as well as the external information obtained, justified the small increases offered. On the other hand Mr M says that he was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

Zable's initial decision to provide Mr M with a credit card

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that Zable was required to understand whether a credit limit of £200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £200 required small monthly payments (in comparison to Mr M's cross-checked income) in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Zable obtained from Mr M and that was on the credit search carried out. This information doesn't indicate to me that Zable ought to have realised that Mr M didn't have the funds to make the low monthly payment that would be required for this credit card.

Given the information Zable obtained and what it showed, I'm satisfied that Zable was entitled to rely on Mr M's income information and what it had seen in the credit checks which led it to determine that an initial credit of £200 was affordable for Mr M.

As this is the case, I'm satisfied that the checks carried out before Mr M was initially provided with his credit card were reasonable and proportionate.

The credit limit increase

Zable then decided to increase Mr M's credit limit because of the usage on his account as well as what it saw on credit searches. On the other hand, Mr M says that he shouldn't have been lent to under any circumstances.

Mr M says that he had previous repayment difficulties at the time when he was offered the increase. But even though this may have been the case, I don't think that this in itself meant that Mr M shouldn't have been lent to. In my view, it meant that Zable needed to take more caution which it did do by offering a low limit increase.

Nonetheless, bearing in mind what Zable would have seen about Mr M's arrears, I think that it ought to have asked Mr M for some more information about his living expenses before increasing his credit limit. That said, I don't think that obtaining further information on Mr M's actual living expenses would have made a difference to Zable's decision to lend in this instance.

I say this because I've not seen anything in the information Mr M has provided which clearly shows me that when Mr M's actual committed regular living expenses were combined with what Zable knew about his credit commitments and then deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due as a result of the credit limit increase.

In reaching my conclusions, I accept that Mr M's circumstances were worse than this, as he was struggling with a gambling addiction. I'm really sorry to hear about what Mr M has told us. It's possible that Zable might have reached different lending decisions had it known about this.

But the key thing here is not only did Zable not know about this, I don't think it can be reasonably expected to have known about Mr M's gambling either as it didn't need to ask for copies of his bank statements. And, in these circumstances whilst I do sympathise with what Mr M has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Zable could not have factored this into its lending decisions. I say this particularly in light of everything else suggesting the card and credit limit increase was affordable.

So overall while I can understand Mr M's sentiments and I'm sorry to hear about his situation, I don't think that Zable treated Mr M unfairly or unreasonably when providing him with his credit card, or increasing his credit limit. It carried out proportionate checks before providing him with his card and I've not seen anything which clearly shows that proportionate checks would have seen it deciding against increasing Mr M's credit limit either.

In reaching this conclusion I've also considered whether the lending relationship between Zable and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zable irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. 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.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 December 2024.

Jeshen Narayanan
Ombudsman