

Complaint

Mrs S has complained about a credit card Jaja Finance LTD (trading as “Asda” Money Credit Card) provided to her. She says the credit card was unaffordable given what she already owed on her overdraft, loans and credit cards.

Background

Asda provided Mrs S with a credit card with an initial limit of £500 in December 2023. Mrs S' credit limit was never increased.

One of our investigators reviewed what Mrs S and Asda had told us. And she thought Asda hadn't done anything wrong or treated Mrs S unfairly. So she didn't recommend that Mrs S' complaint be upheld.

Mrs S 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 Mrs S' complaint.

Having carefully considered everything, I've decided not to uphold Mrs S' complaint. I'll explain why in a little more detail.

Asda needed to make sure it didn't lend irresponsibly. In practice, what this means is Asda needed to carry out proportionate checks to be able to understand whether Mrs S 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.

Asda says it initially agreed to Mrs S' application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs S would be able to make the monthly repayments due for this credit card. On the other hand, Mrs S says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mrs S was provided with a revolving credit facility rather than a loan. And this means that Asda was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than whether £500 could be paid all in one go. A credit limit of £500 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Asda's credit check did indicate that Mrs S had some existing credit. But I can't see that there was any significant adverse information recorded against her at this time. Furthermore, I don't agree with Mrs S when she says that the amount of credit she already had in her name meant that Asda shouldn't have lent to her. In my view, at the absolute most the amount of credit Mrs S already had meant that Asda needed to take more caution which it did do by offering a low initial limit.

Given the extremely low amount being initially being lent here and the credit searches Asda carried out not showing that Mrs S shouldn't be lent to in any circumstances in the way she suggests, I don't think that Asda needed to further verify what was in the information it had before lending. I say this especially as it had already verified Mrs S' credit commitments and it had taken steps to validate her declaration of her income against information from credit reference agencies on the funds going into her main bank account each month.

For the sake of completeness, I would also add that it's also not even immediately apparent to me that even more checks would, in any event, have led to Asda making a different decision here. At the absolute maximum further checks would have consisted of finding out more about Mrs S' living expenses, outside of her credit commitments, rather than relying on assumptions that Mrs S had enough left over after meeting credit commitments.

The bank statements provided appear to show that Mrs S didn't have much in the way of discernible regular living costs at the time. Indeed what the statements show is that Mrs S was overdrawn because she had a significant amount of additional spending. It's possible – but by no means certain – that had Asda seen what I have seen in relation to Mrs S' additional spending it may have taken a different decision on providing this card. But Mrs S' additional spending will not have shown up in credit checks and arguably will only have become apparent had bank statements been reviewed.

Given the circumstances here as well as what I think that Asda needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements from Mrs S. I simply cannot reasonably say that obtaining bank statements would have been proportionate here, given Mrs S did not have any significant adverse credit information recorded against her and Asda was providing her with a credit card that has such a low credit limit.

In reaching my conclusions, I've also considered whether the lending relationship between Asda and Mrs S might have been unfair to Mrs S under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Asda irresponsibly lent to Mrs S or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mrs S' sentiments, I don't think that Asda treated Mrs S unfairly or unreasonably when providing her with her credit card. It arguably carried out reasonable and proportionate checks, but even if it needed to do

more in terms of finding out of Mrs S' actual living costs, this would not have shown the payments to be unaffordable. So I'm not upholding Mrs S' complaint.

I appreciate this will be very disappointing for Mrs S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

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

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

Jeshen Narayanan
Ombudsman