

## **The complaint**

Mrs H complains that Canada Square Operations Limited (“Canada Square”) irresponsibly provided her with two credit cards.

## **What happened**

Mrs H took out two credit cards with Canada Square in 2002. Account 1 was taken out in July 2002 with an initial credit limit of £500. The credit limit increased to £650 in November 2002, £1,500 in July 2003 and the final credit limit increase happened in January 2004, where her credit limit went up to £1,650.

Account 2 was opened in November 2002. The credit limit for this account was £5,000, and there were no changes to the credit limit over the course of the relationship.

Mrs H says Canada Square didn't check that she could afford the credit before agreeing to provide her with it. Mrs H says that Canada Square contributed to her getting into a significant amount of debt – and that by 2005 she had around 31 creditors and owed a total of £155,000. Mrs H says that as a result she couldn't afford to pay her essential bills and living expenses which led her to using more credit. She ultimately ended up in a debt management plan in 2006, which she is still making repayments to today. Both accounts were eventually sold to a third-party debt purchaser.

An Investigator considered all of the evidence they had available and decided that Mrs H's complaint should be upheld in part. The Investigator found that there wasn't enough evidence to uphold Mrs H's complaint for any of the lending decisions that happened in 2002 (for Account 1 and Account 2). However, the Investigator found that there was sufficient evidence to find that the credit limit increases that happened on Account 1 in 2003 and 2004 weren't affordable. Because of this, the Investigator said that, amongst other things, Canada Square should put things right for Mrs H by paying her back the interest and charges on Account 1 for any balances that exceeded £650. The Investigator didn't uphold Mrs H's complaint in relation to Account 2.

Canada Square agreed to redress Mrs H in the way the Investigator said it should.

Mrs H accepted the Investigator's view in relation to Account 1. However, she didn't agree with their findings in relation to Account 2. Initially Mrs H said that there must have been a credit limit increase on Account 2, given that her balance is currently significantly higher than the £5,000 credit limit. She also said that she should be refunded all interest and charges for both accounts. That's because from the point the Investigator upheld the complaint (July 2003), there is only eight months difference between this point and the decision to lend on Account 2. She says it was irresponsible of Canada Square to have provided her with this account.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

## **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.

Both parties have agreed on how Account 1 should be settled. Given that there is no longer a dispute on what Canada Square need to do to put things right for Mrs H here, I will focus my decision on Account 2, which is still in dispute. However, for the avoidance of doubt, I agree with the outcome reached by the Investigator in relation to Account 1 for the same reasons, and I will set out later in this decision what I require Canada Square to do to put things right in relation to Account 1.

### Account 2 – opened in November 2002 with a credit limit of £5,000

I understand Mrs H disputes that the credit limit wasn't increased from £5,000 on this account. Canada Square has sent this service statements which suggest that the limit wasn't ever increased. I accept that Mrs H has provided information from the debt purchaser which shows her balance to be currently higher than the £5,000 credit limit. I can't say with any certainty why this is. However, the evidence I have seen suggests that Mrs H's balance was under £5,000 in October 2010 which is the last available statement. And I'm aware that Mrs H's account was sold to a debt purchaser around this time.

The Office of Fair Trading (OFT) was the regulator when Mrs H applied for this credit card. The Consumer Credit Act 1974 set out the factors the OFT needed to consider when looking at how businesses lent to its customers, and it stipulated that the lender needed to assess the consumer's creditworthiness using both information supplied by the applicant as well as data obtained from a credit reference agency.

Canada Square has been unable to provide much information about the checks that were completed at the time of account opening. Given how long ago this account was opened, it isn't surprising or unusual that it doesn't have such information. And to be clear, I don't draw anything negative from this. I wouldn't have expected Canada Square to provide such information dating back more than 20 years. That said, it does hold some information that was input into the application back in 2002. This suggests that Mrs H was earning £19,125 a year.

Because the information Canada Square has from the time is very limited, we asked Mrs H if she had any information available, such as a credit report or bank statements, that might have provided some understanding of her financial position from November 2002.

Mrs H has been able to provide a copy of a credit report that is dated October 2004. Looking at the report, I think it would be difficult to dispute that the level of credit Mrs H had at this time was reasonable in comparison to her income. But the credit report only provides an overall picture of her financial position at that time. There is some information available in the report to show what accounts she had in November 2002 when she took out this account, and while I accept that there were several active accounts, the report doesn't provide me enough information to be able to determine what balances were outstanding on the accounts in November 2002, what the credit limits were on those accounts or how the accounts were managed.

Because of this, I haven't seen any evidence from the time (November 2002) to satisfy me of what credit worthiness checks were completed, or what these checks would have likely shown about Mrs H's financial position. And so, I can't fairly uphold Mrs H's complaint about Account 2.

Mrs H has argued that the Investigator upheld her complaint from July 2003, which is only eight months after the account opening. I presume she's suggesting that her financial position wouldn't have been much difference eight months prior. I've thought about this carefully, but I don't think it would be reasonable for me to rely on a credit report from two years later to uphold Mrs H's complaint. It really isn't clear from the information on the credit report what Mrs H's financial position was in 2002. I accept it is likely Mrs H did have outstanding debt in November 2002, but I have no way of knowing how much this is likely to have been or how it was being managed. I am, however, persuaded that Mrs H's financial position likely got worse over time, which is why I don't think it was unreasonable of the Investigator to find it more likely than not that the credit limit increase on Account 1 that happened in July 2003 was likely to have been unaffordable for Mrs H. But I'm not persuaded by the evidence there is available to me that I can say this was likely to have been the case in November 2002.

### Summary

Based on everything I've seen; I'm satisfied that Mrs H's complaint should be upheld in part. I'm persuaded that for Account 1, the credit limit increases that happened in 2003 and 2004 were unaffordable, and so Canada Square didn't make fair lending decisions. However, I haven't seen enough evidence to uphold Mrs H's complaint about any of the lending decisions that happened in 2002.

### **Putting things right**

Canada Square should put things right for Mrs H (in relation to Account 1) by:

- Reworking the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £650 after the date of the second credit limit increase in July 2003.
- If the rework results in a credit balance, this should be refunded to Mrs H along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Canada Square should also remove all adverse information recorded after July 2003 regarding this account from Mrs H's credit file.
- Or, if after the rework there is still an outstanding balance, Canada Square should liaise with the debt purchaser to ensure that any adverse information recorded after July 2003 in relation to the account is removed from her credit file once the balance has been repaid.

\*HM Revenue & Customs requires Canada Square to deduct tax from any award of interest. They must give Mrs H a certificate showing how much tax has been taken off if she asks for one.

I've also thought about whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Both Canada Square and Mrs H has asked that the redress be paid directly to Mrs H. I don't think this is unreasonable in the circumstances. I will add that it appears there is still an outstanding balance owed to the debt purchaser in relation to one or both of these accounts. So, Mrs H might want to consider using any redress she receives from this complaint to reduce that outstanding balance.

**My final decision**

For the reasons set out above, I uphold Mrs H's complaint in part. I order Canada Square Operations Limited to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 25 February 2025.

Sophie Wilkinson  
**Ombudsman**