

Complaint

Mr A has complained about a credit card Jaja Finance Ltd (“Jaja”) provided to him.

He says that he shouldn’t have been given the credit card and that it was irresponsibly provided to him.

Background

In November 2023, Jaja provided Mr A with a credit card which had a limit of £350. Mr A wasn’t provided with any credit limit increases.

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

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

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

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 A’s complaint.

Jaja needed to make sure it didn’t lend irresponsibly. In practice, what this means is Jaja needed to carry out proportionate checks to be able to understand whether Mr A 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 don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – 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.

Jaja says it agreed to Mr A’s application after it obtained information on his income, which it cross-checked against the amount of funds Mr A received into his main bank account each month and carried out a credit search. And the information obtained indicated that Mr A would be able to make the relatively low monthly repayment required to clear the balance that could be owed within a reasonable period of time.

On the other hand, Mr A says 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 A was provided with a revolving credit facility rather than a loan. And this means that Jaja was required to understand whether a credit limit of £350 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £350 required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen the information Jaja obtained from Mr A about his income and what was on the credit search carried out. Jaja says that Mr A declared he received £1,820.00 each month. This was cross checked against information from credit reference agencies and therefore, I'm satisfied that Jaja was entitled to rely on this declaration.

I accept that Jaja's credit search did show that Mr A may have had defaults recorded against him. However, it's clear that these were historic as the last default recorded against Mr A took place more than five years prior to this application. As this is the case, I don't think that the defaults in themselves meant that Mr A shouldn't have been lent to.

Furthermore, given just how long ago it had been since the defaults and the low amount being advanced here, there is a reasonable argument for saying that Jaja was entitled to rely on the assumptions that it did for Mr A's expenditure. In any event, I would also add that even if Jaja had done more to account for the two missed payments which showed on the credit search, at the absolute most, I would have expected it to have found out more about Mr A's committed expenditure.

I say this because it's not even immediately apparent to me that Jaja doing this here would have led to it making a different decision. I say this because the bank statements provided appear to show that Mr A's actual discernible living expenses (his credit commitments had already been verified as a result of Jaja's credit check), were not especially high.

In these circumstances, I don't think that Jaja finding out more about Mr A's living expenses would have resulted in it seeing that Mr A was unable to make the low payment he could have had to make as a result of using the credit available to him on this card.

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

However, for the reasons I've explained, I've not been persuaded that Jaja irresponsibly lent to Mr A or otherwise treated him 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.

So overall and having considered everything I don't think that Jaja treated Mr A unfairly or unreasonably in approving his application for a credit card. I appreciate this will be very disappointing for Mr A. 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 A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 February 2025.

Jeshen Narayanan
Ombudsman