

## **The complaint**

Miss L complains Lendable Ltd trading as Zable (Lendable) failed to conduct sufficient checks before it provided her with a credit card facility.

## **What happened**

Miss L says she applied for a credit card with Lendable in June 2022 at a time when she was already experiencing financial difficulties and if Lendable had carried out proper financial checks it would have seen she had recent missed payments and previous issues on her credit file. Miss L says Lendable then acted irresponsibly when it increased her credit limit to £500 in August 2022 and to £800 in November 2023, given the level of her external debt and her financial commitments.

Miss L wants Lendable to refund all interest and charges since the credit card account was opened and remove any adverse entries on her credit file.

Lendable says when it provided the credit card facility in June 2022 it carried out reasonable checks in line with industry standards and Miss L met its affordability criteria. Lendable says Miss L's credit history was what it expected from someone looking to build their credit file and the credit limit offered was affordable based on the information available at the time.

Lendable says before it approved the limit increases to £500 and £800, proportionate affordability checks were carried out taking into account debit obligations across all forms of active credit held by Miss L. Lendable says Miss L's credit card facility had been well conducted and there was no indication to suggest she would struggle with the higher credit limits approved.

Lendable says when it was informed of Miss L's financial issues, it agreed to a six-month payment plan where interest was frozen to provide the support Miss L had asked for.

Miss L wasn't happy with Lendable's response and referred the matter to this service.

The investigator looked at all the available information and partially upheld Miss L's complaint. The investigator felt while Lendable should have carried out further checks when it initially provided the £200 credit limit, if it had asked for bank statements to verify Miss L's income, these would have shown the credit limit was affordable, so the investigator felt the £200 initial credit limit it offered Miss L was a reasonable decision for it to take.

However, the investigator didn't feel Lendable should have increased the credit limit any further as it should have carried out further proportionate checks before doing so and if it had, the bank statements would have shown Miss L had a negative cashflow of around £200 per month prior to the increase to £500. The investigator felt further checks would have highlighted that Miss L was unable to afford additional credit and further borrowing was unsustainable. With that in mind the investigator felt neither limit increase should have been approved.

The investigator felt Lendable should rework all interest fees and charges that have been

applied to the credit card account balances above £200 after August 2022 and refund these. The investigator says if the rework results in a credit balance, this should be returned to Miss L with 8% simple interest per year. In addition, the investigator requested that Lendable remove all adverse information from Miss L's credit file from August 2022, when the increased limits were provided.

The investigator says if after the rework of the outstanding balance still exceeds £200, then Lendable should arrange an affordable repayment plan with Miss L for the remaining amount and after this debt has been cleared, Lendable should then remove any adverse entries on Miss L's credit file.

Both Miss L and Lendable didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

### **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.

Having done so, I will also be partially upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Miss L is experiencing financial difficulties and this must be a difficult time for her. When looking at this complaint I will consider if Lendable undertook sufficient and proportionate checks before it provided the credit card facility and the subsequent credit limit increases to Miss L.

Both parties have provided this service with comprehensive details of the course of events here and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything said and sent to us – I have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

Miss L's complaint centres around the fact she doesn't feel Lendable carried out sufficient checks before it approved a £200 credit card facility and subsequently increased the credit limits to £500 and £800 respectively. Miss L feels Lendable should have been aware the borrowing it approved wasn't sustainable based on her credit history.

The first thing to say here is there is no fixed set of rules as to what checks a business must carry out before it provides credit facilities, other than those checks should be proportional to the level and term of the credit being provided.

Here Lendable approved an initial modest credit card limit of £200 in June 2022 and has made the point this type of card is for consumers looking to help build their credit standing.

I can see that from the information made available to Lendable at that time, from both the credit card application completed by Miss L and from its own credit assessment using industry standard methods, it showed the level of borrowing approved was affordable.

While Miss L's credit file did show some past credit issues, that's not to say that should be the sole reason why credit of a modest sum like this shouldn't be made available.

Afterall, Lendable did carry out credit modelling and income assessments in addition to the information provided on the credit application and with that in mind I'm satisfied that was

reasonable here – as the investigator has pointed out if it had asked for say bank statements from Miss L at the time, these would have only confirmed there was no obvious signs of financial stress. So, with that in mind and on balance, I don't agree with Miss L's view that the level of credit Lendable made available to her at that time was unreasonable here.

Where I do have an issue is with the short amount of time before Lendable increased the credit limit to £500, only two months after the initial level of credit being made available.

It's reasonable to say here that Miss L's credit file wasn't perfect when she applied for the initial credit limit with a default and missed payments recorded in the past. Lendable have made the point the credit card was designed to help consumers build a credit history and I accept that point and that is why I felt the initial level of credit was appropriate.

That said I can't see how after only two months, Lendable could have concluded further increased borrowings were sustainable here given the backdrop of Miss L's recent credit history. It's reasonable to say a longer period of time would needed to have passed before that could be established or if not a deeper dive into Miss L's income and expenditure would have been appropriate, which in all likelihood would have shown that further credit facilities were unaffordable.

In summary, while I am satisfied the initial £200 credit card limit provided by Lendable was reasonable, based on Miss L's previous credit history a further period of time needed to have passed or a further credit assessment of income and expenditure needed to be undertaken before Lendable could have concluded the increased level of borrowing was sustainable here.

So, while Miss L and Lendable will be disappointed with my decision, I am satisfied this is a fair outcome here.

### **Putting things right**

I instruct Lendable Ltd trading as Zable to rework all interest fees and charges that have been applied to the credit card account balances above £200 after August 2022 and refund these. If that rework results in a credit balance, this should be returned to Miss L with 8% simple interest per year\*. In addition, Lendable should remove all adverse information from Miss L's credit file from August 2022, when the increased limits were provided.

However, if after the rework ,the outstanding balance still exceeds £200, then Lendable should arrange an affordable repayment plan with Miss L for the remaining amount and after that amount of debt has been cleared, Lendable should then remove any adverse entries on Miss L's credit file.

\*HM Revenue & Customs requires Lendable to deduct tax from any award of interest. It must give Miss L a certificate showing how much tax has been taken off if she asks for one. If Lendable intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

### **My final decision**

My final decision is that I uphold this complaint.

I instruct Lendable Ltd trading as Zable to rework all interest fees and charges that have been applied to the credit card account balances above £200 after August 2022 and refund these. If that rework results in a credit balance, this should be returned to Miss L with 8% simple interest per year\*. In addition, Lendable should remove all adverse information from

Miss L's credit file from August 2022, when the increased limits were provided.

However, if after the rework ,the outstanding balance still exceeds £200, then Lendable should arrange an affordable repayment plan with Miss L for the remaining amount and after that amount of debt has been cleared, Lendable should then remove any adverse entries on Miss L's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 14 April 2025.

Barry White  
**Ombudsman**