Financial Ombudsman Service

Complaint

Mr W has complained about a credit card Jaja Finance Ltd ("Jaja") provided to him.
He says that the credit card was irresponsibly provided to him given the existing debts that he had.

Background

In November 2023, Jaja provided Mr W with a credit card which had a limit of £1,500.00.
Mr W wasn't provided with any credit limit increases.

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

So he didn't recommend that Mr W's complaint be upheld. Mr W 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 W'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 W'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 W 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 W's application after it obtained information on his income and carried out a credit search on him. And the information it obtained indicated that Mr W would be able to make the, what it considered to be, the not especially large monthly repayment required to clear the balance that could be owed within a reasonable period of time.

On the other hand, Mr W says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr W 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 £1,500.00 could be repaid within a reasonable period of time, rather than in one go. I think it's fair to say that a credit limit of £1,500.00 did not require large 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 W about his income and what was on the credit search carried out. Jaja says that Mr W declared he had an annual income of £34,500.00 which translated to an amount of around £2,200.00 monthly. I understand that this is likely to have been cross checked against information from credit reference agencies and therefore, I'm satisfied that Jaja was entitled to rely on this declaration.

The credit search showed that Mr W didn't have any significant adverse information – such as defaulted accounts or County Court Judgments – recorded against him either. I appreciate that Mr W says he owed more than the amount Jaja thought. In the first instance, I don't think that Mr W owing £10,000.00, rather than the close to £5,000.00 which showed on Jaja's checks, meant that Mr W shouldn't have been lent to. This is particularly given Mr W's income.

In any event, Jaja's checks showed a lower amount of outstanding in Mr W's name as some of the credit Mr W has referred to was taken out just before this application. It can take up to 90 days for new lines of credit to be reflected by all reporting agencies and this is why Jaja won't have seen all of the information.

Furthermore, even if I were to agree that Mr W's existing credit commitments meant that Jaja ought to have done more in this instance, it's also not even immediately apparent to me that further checks would have made a difference. I say this because I think that further checks would, at the absolute maximum, have consisted of finding out more about Mr W's living expenses rather than relying on the estimated information.

Yet I've not been provided with anything to show that Mr W's non-credit related committed expenditure was significantly higher than the estimates that Jaja relied on. In these circumstances, I don't think that Jaja finding out more about Mr W's living expenses would, in any event, have resulted in it determining that Mr W would be unable to make the monthly 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 W might have been unfair to Mr W 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 W 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 W unfairly or unreasonably in approving his application for a credit card. I appreciate this will be very disappointing for Mr W. 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 March 2025.

Jeshen Narayanan
Ombudsman