

Complaint

Mr M has complained about a credit account Zilch Technology Limited (trading as “Zilch”) provided to him. He says the credit account was unaffordable and proportionate checks would have shown that he shouldn’t have been lent to.

Background

Zilch provided Mr M with a credit account which had a limit of £460 in March 2024. Mr M’s credit limit was never increased.

One of our investigators reviewed what Mr M and Zilch had told us. And he thought Zilch hadn’t done anything wrong or treated Mr M unfairly in relation to providing the credit account. So he didn’t recommend that Mr M’s complaint be upheld.

Mr M disagreed with our investigator’s assessment 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 Mr M’s complaint.

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

Zilch needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zilch needed to carry out proportionate checks to be able to understand whether Mr M 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.

Zilch says it agreed to Mr M’s initial application for his credit account after it carried out a credit search. And the information obtained indicated that Mr M would be able to make the low monthly repayments due for this credit account. On the other hand Mr M says that he was already struggling and shouldn’t have been provided with this credit account. He’s also said that he was struggling with a relapse of a gambling addiction at this time.

I've considered what the parties have said.

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that Zilch was required to understand whether a credit limit of £460 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £460 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've considered a copy of the full credit file Mr M has provided and which is likely to be indicative of the information Zilch obtained from credit reference agencies. And while I appreciate that Mr M may disagree with this, Mr M's indebtedness wasn't such that Zilch ought to have realised that Mr M didn't have the funds to make the monthly payment required on this credit account.

Indeed, although Mr M had taken out payday loans which may or may not have shown on Zilch's credit searches given how close to this application they were taken and it does take some time for information to update, there isn't a prohibition on lending to a customer who has taken payday loans. Furthermore, it appears to me that Zilch took steps to mitigate the effect of any potential harm as a result of only providing him with a credit limit of £460.

I accept that Mr M says that his actual circumstances at the time were worse than what the information Zilch obtained showed. Mr M says that he was provided this card while experiencing a gambling addiction relapse.

I'm sorry to hear about what Mr M has told us and I accept that it is possible that Zilch might have reached a different lending decision had it known about this. But the key thing here is not only did Zilch not know about this, I don't think it can be reasonably expected to have known about Mr M's gambling either as it didn't need to ask for copies of his bank statements.

In these circumstances, whilst I do sympathise with what Mr M has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Zilch could not have factored this into its lending decision. I say this particularly in light of everything else obtained suggesting the card was affordable.

So overall while I can understand Mr M's sentiments and I'm sorry to hear about his situation, I don't think that Zilch treated Mr M unfairly or unreasonably when providing him with his credit card. It carried out reasonable checks before providing him with his card and I've not seen anything which clearly shows that further checks, proportionate to the circumstances of this particular application, would have seen it deciding against accepting Mr M's application either.

It isn't in dispute that, in July 2024, Mr M contacted Zilch to explain that he was experiencing difficulty making payments to his card. When a lender becomes aware that a borrower is experiencing difficulty making their payments, it is fair and reasonable to expect it to exercise forbearance and due consideration, in line with its regulatory obligations.

There are a number of ways that this could be done. In this case, Zilch ended up accepting Mr M's offer of making reduced payments, of £10 a month, which he confirmed he was able to make. I understand that Mr M was then able to clear his outstanding balance. So I'm satisfied that the available evidence shows that Zilch did take reasonable steps to exercise forbearance and due consideration in line with its regulatory obligations.

In reaching my conclusions, I've also considered whether the lending relationship between Zilch and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zilch irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A 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 Mr M's sentiments, I don't think that Zilch treated Mr M unfairly or unreasonably when providing Mr M with his credit account. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 June 2025.

Jeshen Narayanan
Ombudsman