

The complaint

Mr O complains that JAJA FINANCE LTD trading as Jaja Credit Card (Jaja) lent irresponsibly when it approved his credit card application.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr O applied for a Jaja credit card in July 2024. In his application Mr O said he was employed with an income of £43,500 that Jaja calculated left him with £2,738 a month after deductions. The application data provided by Jaja to this service doesn't include any living expenses or housing costs. Jaja carried out a credit search and found Mr O owed £10,841 to other lenders with monthly repayments of £394. Jaja found Mr O had a current missed payment on his credit file. Jaja says it applied its lending criteria to Mr O's application and approved it, issuing a credit card with a limit of £1,800.

In September 2024 Mr O complained that Jaja lent irresponsibly when it approved his credit card application and it issued a final response. Jaja said it had carried out the relevant lending checks and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr O's complaint. They thought Jaja had obtained a reasonable amount of information about Mr O during the application process. The investigator looked at Mr O's bank statements for the three month period before his application but wasn't persuaded Jaja lent irresponsibly. The investigator thought Mr O's existing commitments were affordable in addition to the new credit card Jaja went on to offer. The investigator noted there was a high level of gambling on Mr O's bank statements but didn't uphold his complaint.

Mr O asked to appeal, so his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Jaja had to complete reasonable and proportionate checks to ensure Mr O could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've reached a different conclusion to the investigator concerning Mr O's complaint. Jaja has sent us some of the information it used when considering Mr O's application, including his income details along with his total outstanding debt figure and monthly repayment. But no evidence of the affordability checks Jaja completed has been supplied as far as I can see.

What I can see is that in addition to recording Mr O's overall debt level, Jaja looked at whether he had any County Court Judgements, defaults or other adverse credit and none was found. But the information provided shows that the worst current status on Mr O's credit file was 1 meaning he had a current missed payment recorded at the point of application.

In my view, having a current missed payment when applying for new credit could've been a sign Mr O was struggling to maintain his existing commitments. And, in the absence of affordability data that shows Jaja looked at Mr O's circumstances to consider if his existing outgoings and new credit card were sustainable means, I'm unable to reach the conclusion it completed proportionate lending checks. As noted above, there were a range of options Jaja could have used to get a better picture of Mr O's circumstances, one of which would've been to look at his bank statements. That's the approach I've taken.

Mr O's bank statements show his income was broadly in line with the figure Jaja used when looking at his application. And Mr O's bank statements show he was generally maintaining his existing commitments, in addition to transferring funds to his partner to help pay their mortgage each month. I note Mr O also made monthly payments to two family members which he's confirmed related to loans he'd been given. Given the fact the payments appeared on all three of the bank statements provided, I'd have expected Jaja to take them into account if it had also reviewed the same information. Whilst you could make an argument that Mr O was covering his existing outgoings each month, the key information I note is that his statements show a very high level of gambling each month.

In the three months before Mr O's application, his losses outweighed his winnings by around £950. But that somewhat fails to reflect the high level of gambling or way Mr O was using his current account. Mr O's bank statements show he was often using his overdraft facility for gambling purposes or quickly using funds paid into the account by third parties to gamble with. In my view, Mr O's bank statements indicate he wasn't fully in control of his outgoings in the months before his application to Jaja was made and was gambling at an unsustainable rate.

In my view, if Jaja had taken a more detailed approach to Mr O's application, like looking at his bank statements, it would've quickly seen he was at capacity in terms of his regular outgoings and gambling at an unsustainable rate. I'm satisfied it's more likely than not that if Jaja had seen that information it would've taken the decision to decline his credit card application on the basis repayments were unlikely to be sustainable. Based on the information I've seen so far, my view is that Jaja lent irresponsibly when it approved Mr O's application. As a result, I intend to tell Jaja to refund all interest fees and charges applied to Mr O's credit card and look to agree an affordable repayment plan.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results

in fair compensation for Mr O in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional evidence or information they wanted me to consider before I made my final decision. Mr O confirmed he accepted the settlement I reached in the provisional decision.

In response to the provisional decision, Jaja explained the credit file data it provided in the original case file didn't reflect a missed payment on Mr O's credit file. Specifically, when I reviewed the credit file results Jaja obtained it gave the following information:

Worst current arrears status – 1 and Worst rating on open accounts (last 6 months) – 1

Jaja explained that the "1" it recorded in the data didn't represent a missed payment or current arrears on Mr O's credit file. Jaja confirmed that the use of the "1" in the credit file data was to confirm Mr O's payments had all been made on time. Jaja provided a more detailed set of affordability data and credit file information to show it had used an estimated rent figure of £138 a month and living expenses of £545. Jaja asked me to reconsider the conclusions I reached in the provisional decision on the basis it had carried out affordability checks and that the information found on the credit file data didn't actually reflect missed payments when Mr O made his application.

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.

I'd like to thank both parties for their patience while Mr O's complaint has been with us. Jaja has submitted new information in response to the provisional decision I issued, providing further comment and evidence, explaining it remains of the view it completed proportionate lending checks before approving Mr O's application. In short, Jaja's point is that there was nothing in the application data itself that would've caused it to take a more comprehensive approach to the lending checks it completed. As a result, Jaja says there was no need to ask Mr O for his bank statements that identified he was gambling at an unsustainable rate.

I've thought carefully about the updated credit file and affordability data provided. I accept Jaja's point that the "1" noted in the *Worst current arrears status* section didn't actually relate to a missed payment on Mr O's credit file. To explain, when looking at credit files the use of a "1" generally means a missed payment has been recorded. But Jaja's confirmed it uses the "1" in its lending data to confirm all recent payments have been made on time with no arrears recorded across the accounts Mr O held at the time. I've been over the full credit report Mr O provided following the comments Jaja made in response to the provisional decision but wasn't able to see a missed payment on his credit file at the point he applied for his credit card. So I accept there wasn't a missed payment recorded on Mr O's credit file in July 2024.

Jaja also provided evidence from its systems that it says shows an affordability assessment, taking Mr O's regular outgoings into account, was completed. The revised data shows Jaja used a general living expense figure of £545 a month and rent of £138 a month in its affordability checks. Whilst I understand Jaja is able to use estimates for regular outgoings like general living expenses and housing costs, they need to be reasonable. Jaja may argue that the figures it used were obtained from recognised statistics, but I think it's fair to say a monthly rent figure of £138 is very low indeed, to the point it's not realistic. In addition, Mr O's full credit file shows he was actually a homeowner with mortgage repayments of £624 a

month at the point he applied to Jaja. The mortgage is reported on Mr O's credit file so it's not clear why Jaja didn't pick it up when it carried out a credit search.

Whilst I am now satisfied an affordability assessment was completed, I'm not persuaded the rent figure it used was realistic or reasonable. I still think there were grounds for Jaja to have contacted Mr O to get more detail about his circumstances and obtain realistic data about his outgoings. In line with what I said in the provisional decision, one option Jaja had would've been to review Mr O's bank statements.

As I noted in the provisional decision, Mr O's bank statements show his income was in line with the figure recorded in his application. The bank statements also show Mr O's outgoings were substantially higher than the figures Jaja used. But, I remain of the view a review of Mr O's bank statements would've very quickly shown Jaja he was gambling at a high and unsustainable rate. I still think that if Jaja had carried out more detailed lending checks, like reviewing Mr O's bank statements, it would've most likely taken the gambling into account and decided to decline his application. As a result, I haven't been persuaded to change the conclusions I reached in my provisional decision and still think Mr O's complaint should be upheld.

My final decision

My decision is that I uphold Mr O's complaint and direct JAJA FINANCE LTD trading as Jaja Credit Card to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr O along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Jaja should also remove all adverse information regarding this account from Mr O's credit file.
- Or, if after the rework there is still an outstanding balance, Jaja should arrange an affordable repayment plan with Mr O for the remaining amount. Once Mr O has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If Jaja has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 1 July 2025.

Marco Manente
Ombudsman