

Complaint

Mrs G has complained about a loan Inclusive Finance Limited (trading as “Credit Spring”) provided to her. She says the loan was unaffordable given her existing debts and if Credit Spring had carried out proportionate checks it would have seen this.

Background

Credit Spring provided Mrs G with a facility of £1,000.00 in November 2023. The terms of the facility permitted her to drawdown two advances of £500. The second advance could only be drawn down after the first one had been repaid. Mrs G had to pay £14 a month for access to the facility in addition to the capital being repaid, in equal monthly instalments. This meant that Mrs G would effectively have to make payments of around £83 for 12 months.

One of our investigators reviewed Mrs G’s complaint and she thought from the information it gathered, Credit Spring ought to have seen the monthly payments to this loan were unaffordable. So she thought that Mrs G’s complaint should be upheld.

Despite being provided with extensions to do so Credit Spring didn’t respond to our investigator’s assessment. So the complaint was passed to an ombudsman as per the next stage of our dispute resolution process.

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 Mrs G’s complaint.

As Credit Spring hasn’t responded to our investigator’s assessment, it’s difficult for me to know what it thinks she might have gone wrong. Nonetheless, having carefully considered everything and completed my own review of the case, I’ve decided to uphold Mrs G’s complaint. I’ll explain why in a little more detail.

Credit Spring needed to make sure it didn’t lend irresponsibly. In practice, what this means is Credit Spring needed to carry out proportionate checks to be able to understand whether Mrs G 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.

I'm mindful that the credit check Credit Spring carried out showed Mrs G had monthly repayments to unsecured creditors totalling £883. Yet it appears to have based its decision to lend on Mrs G having monthly debt repayments of between £400 and £499. It's unclear why Credit Spring decided to proceed with the lower figure rather than the figure it received from the credit reference agency.

Nonetheless, given that Credit Spring concluded that Mrs G had a monthly disposable income of £374 using monthly debt repayments of between £400 and £499, it seems clear that using Mrs G's actual monthly repayments to existing creditors would have shown she already had a negative disposable income.

I've not seen anything to indicate that Mrs G's existing payments to credit would reduce before she had to start making payments to this facility. I'm also mindful that Mrs G was already utilising close to 90% of her existing revolving credit. So, on the face of things, it's difficult to see how Mrs G could make the repayments to this credit difficulty without borrowing further or experiencing significant adverse consequences.

All of this leaves me satisfied that the information that Credit Spring had ought reasonably to have shown it that it shouldn't have provided this loan to Mrs G. And as Credit Spring provided Mrs G with this loan, notwithstanding this, I'm satisfied that it failed to act fairly and reasonably towards her.

Mrs G has ended up paying (and is still being expected) to pay fees and charges on credit she shouldn't have been provided with in the first place. So I'm satisfied that Mrs G lost out because of what Credit Spring did wrong and that it should put things right.

Fair compensation – what Credit Spring needs to do to put things right for Mrs G

Having thought about everything, I'm satisfied that Credit Spring should put things right for Mrs G by:

- removing all interest, fees and charges applied to the credit facility from the outset. The payments Mrs G made, whether to Credit Spring or the third-party debt purchaser, should be deducted from the new starting balance – the £1,000.00 (in total) originally lent. If Mrs G has already repaid more than £1,000.00 then Credit Spring should treat any extra as overpayments. And any overpayments should be refunded to Mrs G;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mrs G to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information Credit Spring recorded about this loan should be removed from Mrs G's credit file.

† HM Revenue & Customs requires Credit Spring to take off tax from this interest. Credit Spring must give Mrs G a certificate showing how much tax it has taken off if she asks for one.

Credit Spring sold an outstanding balance on Mrs G's account to a third-party debt purchaser. So it will need to either pay an amount to the third-party (equivalent to what needs to be paid on Mrs G's account so that it is reduced by any interest, fees and charges added) in order for it to make the necessary adjustments, or pay Mrs G an amount

(equivalent to the interest, fees and charges which need to be refunded) to ensure that it fully complies with this direction.

My final decision

For the reasons I've explained, I'm upholding Mrs G's complaint. Inclusive Finance Limited (trading as Credit Spring) needs to put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 23 August 2025.

Jeshen Narayanan
Ombudsman