

## **The complaint**

Mr T complains GRATTAN PUBLIC LIMITED COMPANY trading as Kaleidoscope (“Grattan”) irresponsibly lent to him.

Mr T is represented by a professional third party, but for ease of reference I’ll mostly refer to Mr T throughout.

## **What happened**

In January 2020, Mr T applied for an account with Grattan. The application was approved, and he was provided an initial limit of £200. The credit limit was increased on two occasions – first in April 2020 to £300 and then finally in June 2020 to £400.

Mr T complained to Grattan in October 2024. He said Grattan failed to undertake a reasonable assessment of his creditworthiness at the time. He said at the time the account was opened, he had a default and several instances of late payment and going over the limit.

Grattan responded to the complaint. They said there was some adverse information on the credit file at the time of application but it wasn’t of concern to them. They commented on a default and some payday lending, but still felt the credit limit of £200 was affordable at around £10 per month. They also said the same about the two limit increases.

Mr T was unhappy with the response and so referred his complaint to our Service. An Investigator here looked into things. She said the checks carried out at the point of application weren’t proportionate, because despite the low level of credit being provided, there were recent mortgage arrears and a default just five months earlier.

She reviewed Mr T’s current account statements from the time to ascertain what proportionate checks would’ve shown and was satisfied Grattan still would’ve lent and the credit limit was affordable at account opening. For the following two increases, our Investigator felt the checks were proportionate and a fair decision to lend was made.

In response to the opinion, Mr T said the mortgage arrears ought to have been considered for the increases as well and didn’t feel he had enough disposable income to repay the new line of credit.

Because an agreement couldn’t be reached, the complaint has been passed to me to decide.

## **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’ve reached the same conclusion as the Investigator. I know this is likely to disappoint Mr T, so I’ll explain my reasoning in more detail below.

The rules and regulations in place at the time Grattan provided Mr T with the credit account required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be 'borrower' focused. This means Grattan had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr T. In other words, it wasn't enough for Grattan to consider the likelihood of them getting the funds back or whether Mr T's circumstances met their lending criteria – they had to consider if Mr T could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Grattan did what was needed before lending to Mr T.

#### Account opening

At the time Mr T applied for the account, Grattan completed a credit check and relied on some information Mr T declared.

They found that Mr T had around £4,000 in external debt and earned around £1,800 per month. The credit check they completed showed recent mortgage arrears and a recent default. It also showed that Mr T had an active payday loan. So, I'm in agreement with the Investigator that they ought to have done more here.

I do acknowledge Grattan possibly believed by offering Mr T a low limit was their way of exercising caution and limiting risk, but I do think they ought to have completed further, more borrower-focussed checks. I don't think Grattan should've looked at Mr T's statements, but I think they could've asked him more about his evident recent difficulties and completed an income and expenditure assessment with him.

Had they done that, however, I'm satisfied Grattan still would've lent to him based on what I've seen on the current account statements from the time. Again, I've not reviewed these because I think Grattan should've, but I've looked at them to try and piece together what Mr T might have told Grattan about his finances had they asked him further questions at the time.

Mr T generally used a joint account with two salaries paid in with fixed monthly expenditure of around £575. Overall, although I believe the checks could've gone further at the time, due to the low limit provided and the fact the credit is restricted a conversation with Mr T would've been enough, and had they done this I find it more likely than not they still would've lent. So I'm satisfied a fair lending decision was made.

#### Limit increase one

Four months after account opening, the credit limit was increased by £100. Given the initial lending decision was so soon before, I don't think Grattan needed to do much by the way of checks because it would be safe to assume not much had changed in that short period of time.

Grattan did complete a credit check and there was no new adverse and Mr T's overall indebtedness had decreased very slightly. He was making the minimum payments to this account on time, and in the month prior to the increase paid double the minimum repayment. Mr T hardly utilised the credit available to him. All of these were positive indicators to Grattan that Mr T could afford an increase of £100.

So therefore it follows I think the checks were reasonable and proportionate and a fair decision to lend was made.

#### Limit increase two

The second and final increase took place two months later. Because all increases took place within six months, again, I don't think Grattan needed to carry out extensive checks, but they did complete a CRA check.

The check showed no new adverse information and his overall indebtedness remained largely the same. Mr T consistently made payments to the account on time, so I don't think Grattan acted unfairly when increasing the limit.

I note Mr T's representatives comments around the mortgage arrears and why further checks ought to have been completed at every increase because of those arrears. But I don't agree.

Firstly, because those arrears were before the first lending decision, and had Grattan completed further checks at the time they would've deemed the credit affordable, they don't need to take those arrears into account at every increase because the arrears didn't worsen and Mr T's financial picture looked ok.

Secondly, had Grattan decided to lend £400 originally in January 2020 I would've said the lending was affordable, so the increases of £100 at a time weren't of a concern considering what further checks would've shown had they been carried out at the time.

I'm not disputing Mr T's position was worsening at the time he was provided this credit, but I need to be fair to Grattan also and consider what they ought reasonably to have been aware of.

In reaching my conclusions, I've also considered whether the lending relationship between Grattan and Mr T might have been unfair to Mr T under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Grattan did not lend irresponsibly when providing Mr T with the credit account, or by increasing his credit limit. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr T, I won't be upholding his complaint against Grattan for the reasons explained above.

### **My final decision**

It's my final decision that GRATTAN PUBLIC LIMITED COMPANY trading as Kaleidoscope didn't treat Mr T unfairly when lending to him or by increasing his credit limit.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 6 January 2026.

Meg Raymond  
**Ombudsman**