

The complaint

Mrs K complains that Grattan Plc trading as Kaleidoscope (Grattan) irresponsibly agreed to a revolving credit facility she couldn't afford.

What happened

Around August 2022 Mrs K applied for a revolving credit facility (catalogue account) with Grattan. Her application was successful with Grattan applying a credit limit of £750. There weren't any further credit limit increases. Mrs K said she'd previously had an account with Grattan that she'd struggled to maintain and which had been closed. She said the new lending also caused her financial difficulties as she said she struggled to sustain the repayments. Mrs K complained to Grattan saying they didn't sufficiently check she could afford the credit as if they had they would have seen her previous financial struggles, and that the new lending wasn't affordable for her.

Grattan said their checks had been reasonable and proportionate. They'd used application and credit reference agency (CRA) data to assess the affordability of the lending. And based on these checks they said they made a fair lending decision as Mrs K should have had sufficient disposable income to sustain the repayments.

Mrs K wasn't happy with Grattan's response and referred her complaint to us.

Our investigator said Grattan's checks were reasonable and proportionate. And based on these they'd made a fair lending decision.

Mrs K didn't agree and asked for an ombudsman 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.

I understand my decision will disappoint Mrs K but having done so I'm not upholding her complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Grattan offered the account they needed to complete reasonable and proportionate checks to be satisfied Mrs K would be able to repay the debt in a sustainable way.

In deciding what was proportionate Grattan needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Mrs K was provided with a revolving credit facility rather than a loan. Grattan was approving a credit limit of £750. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a firm to assume when

carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. And I can see Grattan considered this to be £37.50 a month which I think is a reasonable amount in which to clear the full amount within a reasonable period.

CONC requires a lender to take reasonable steps to estimate a consumer's income and expenditure. It says a lender shouldn't generally rely on the consumer's declared income but seek verification from an independent source such as a CRA or third party. It also allows for the use of statistical data in determining a consumers' non- discretionary spending. I've considered the checks Grattan did and what these showed.

Grattan took from Mrs K's application that she'd a monthly income of £2,050, with an additional household income of £1,650. And she'd no dependents. Grattan has shown they verified Mrs K income by way of a CRA check. Her credit file showed she was managing her active accounts as these were up to date, and there weren't any county court judgments recorded. But Mrs K had defaulted on three accounts, all were showing as settled with the last registered default being 37 months prior to the new lending. The CRA check showed Mrs K had monthly credit commitments of £679. And I can see Grattan considered her overall financial commitment which would include her credit commitments and day to day living costs to be £1,216, which meant Mrs K should have had a disposable income of £834.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. Here, Grattan considered the information that Mrs K had on her credit file. This showed the last default had been registered 37 months prior to the new lending. And that Mrs K's credit profile had improved as she was up to date with her active accounts with no recorded missed payments in the preceding 12 months. Grattan made the decision to lend based on the type and amount being borrowed, and considered the defaults to be historic, which in these specific circumstances, I think was reasonable.

I've considered Mrs K's comments about her previous history with Grattan, she also said there were clear signs she was financially vulnerable. But as outlined above it wouldn't be fair to hold a consumer accountable for previous financial struggles when their financial situation has improved. And when they are showing they are managing their active accounts well. Mrs K has shown her previous Grattan account was closed several years before the new account was opened, so this would be considered historic. And the credit check Grattan did doesn't support Mrs K's comment that she was struggling with sustaining her active accounts.

So, I'm satisfied the checks Grattan did were reasonable and proportionate for the type and amount of credit they were providing. I think they took reasonable steps to estimate Mrs K, income and expenditure, and there weren't any current signs of financial vulnerability. I don't think that there was anything immediately obvious in the information that Grattan had, including Mrs K's existing credit, which meant they shouldn't rely on it. So, I don't think Grattan needed to have asked Mrs K to provide further evidence in support of her expenditure before providing her with a credit limit in this instance. And based on these checks I'm satisfied their lending decision was fair as Mrs K should have had sufficient disposable income to sustain the repayments of £37.50 a month.

From Grattan's records I can see after the lending was approved Mrs K managed the account well, regularly paying more than the minimum required. Its not until January 2024 that Mrs K pays less than the minimum amount due. So, I think its more likely that Mrs K's financial situation changed which has led to financial difficulty rather than the lending being unaffordable at the time it was agreed around August 2022. And I must decide whether, on balance, the lending was affordable at the time it was agreed, as I'm satisfied it was I can't

uphold Mrs K's complaint as I don't think Grattan acted unfairly when they agreed to lend to her.

Although I'm not upholding this complaint, I'd like to remind Grattan of their obligation to exercise forbearance if they intend to collect any outstanding balance remaining on the account. And it's the case Mrs K is experiencing financial difficulty.

I've also considered whether Grattan acted unfairly or unreasonably in some other way given what Mrs K has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think Grattan lent irresponsibly to Mrs K or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 26 November 2025.

Anne Scarr
Ombudsman