

The complaint

Ms H complains that Zilch Technology Limited trading as Zilch ('Zilch') lent to her irresponsibly.

What happened

In February 2022 Ms H applied for a deferred payment account with Zilch. Her application was successful, and Zilch gave her an initial credit limit of £800. The credit limit was increased to £1,000 in July 2023.

Ms H complained to Zilch in February 2025. She said that at the time of her application she had other debts she was struggling to repay – and Zilch would have realised this if they'd carried out sufficient checks before agreeing to open the account. She asked Zilch to refund all interest and charges associated with the account.

Zilch didn't uphold Ms H's complaint. They said they carried out a soft search to get an understanding of Ms H's credit report. Zilch found Ms H met their eligibility requirements, and so they accepted her application. They added that Ms H had managed her account well, and so they decided to increase her credit limit to £1,000.

Ms H wasn't happy with Zilch's response and referred her complaint to our service. One of our investigators looked into what had happened. He thought Zilch hadn't carried out proportionate checks before opening the account. But he concluded that further checks would have shown Ms H could sustainably make the required repayments. Our investigator also thought Zilch's checks before the credit limit increase didn't go far enough. In his view, further checks would have shown the increase wasn't affordable for Ms H. He said Zilch should refund any interest and fees applied from the date of the increase, together with interest.

Zilch accepted the investigator's findings, but Ms H didn't agree. She said she was making significant repayments to existing debts at the time of her application. And that for some of those debts she had entered arrangements with the lender as she couldn't afford the minimum payment. Ms H pointed to her credit report, which she said showed she was over the agreed credit limit with two lenders, and taking cash advances on both cards.

Our investigator reviewed what Ms H said but his view of the complaint remained unchanged. As no agreement could be reached Ms H asked for an Ombudsman's decision – and it came to me.

I issued a provisional decision on 28 October 2025. In that I said:

"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 intend to uphold Ms H's complaint. I'll explain why below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In

summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation. CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

What's considered proportionate will vary on the specific circumstances of each application. Here, Zilch approved an initial credit limit and later increased it. In cases such as this, it's more likely that more thorough checks will be required later in the lending relationship than at the beginning, to take account of the differences in the amount of credit being made available. And that the lending history and pattern of lending itself might demonstrate whether the lending is sustainable.

Zilch said they looked at data from one of the credit reference agencies (CRA) and open banking information before agreeing to open the account. However, they couldn't provide us with details of the information they gathered, other than Ms H's last credit check score band as at the time of her application. So, I can't now know for sure what information Zilch had available at the time.

CONC 5.2A.12 R (1) and (2) requires firms to consider the customer's ability to make repayments under the agreement as they fall due over the life of the agreement and, where the agreement is an open-ended agreement, within a reasonable period. Repayments should be out of, or using, the customer's income unless the customer has clearly indicated they have access to income received by another person or that they intend to repay using savings or other assets.

As mentioned above, Zilch used open banking information, which would have given them an idea of Ms H's likely income. But they no longer have access to the open banking, and so they haven't been able to give us more details on this. And based on the information I've been provided with I can't be sure what Zilch knew about Ms H's other credit commitments. Because of this I haven't got enough information about how Zilch assessed Ms H's ability to make repayments as set out in CONC 5.2A.12 R. It follows that I can't safely conclude that Zilch carried out proportionate checks before agreeing to open the account.

I've gone on to consider what proportionate checks would likely have shown. Ms H provided us with a copy of her credit report. Given the time that's passed since her application, it doesn't show all the information Zilch would likely have seen during their search, particularly in relation to some of Ms H's credit card accounts. I'll address this later.

From the credit report I can see that, in February 2022, Ms H had a hire purchase agreement with payments of around £139 per month. She also had three mail order accounts with a combined limit of £5,350. One account had no balance whereas another was almost at its agreed limit. Overall, Ms H owed around £2,785 on the three mail order accounts, giving a total utilisation of 52%.

The credit report also shows that Ms H had eleven open credit card accounts at the time of her application to Zilch. There's limited information on the credit report about eight of those accounts. The remaining three had a combined credit limit of £1,275 and Ms H owed a total of around £1,231 (or around 97% of the total available credit limit). In the year leading up to Ms H's application to Zilch she was consistently close to her agreed credit limit on all three cards, making minimal repayments each month.

Turning to the remaining eight credit cards. Ms H's credit report doesn't provide the same level of detail as it does for the three accounts mentioned above. Ms H explained that at the time of her application to Zilch she was in financial difficulties. She was in significant debt and was borrowing from one lender to repay another. And she was in arrangements to pay with a number of her creditors. The accounts were later closed and the debts sold on.

From what I've seen, it appears that the account closures lead to a break in the reporting to the CRA. But at the time of Ms H's application, the credit card accounts were still managed by the respective lenders. It's reasonable to assume that during that time the lenders would have shared information about Ms H's accounts with the CRA in line with regulatory requirements – and that the information would have been visible to Zilch.

While the credit file Ms H has recently provided doesn't show any information for the time of the account opening, she has raised complaints with our service about some of the lenders with whom she had accounts at that time. She said we may look at the information that has been provided in response to those complaints. I've been able to find details about seven of the eight credit card accounts.

Overall, I've found that, in the months leading up to February 2022:

- *One lender carried out a credit check in December 2021, which showed that Ms H owed a total of £19,189 across 18 accounts.*
- *Ms H had exceeded the agreed credit limit on at least four of her accounts.*
- *Ms H had agreed payment plans with three lenders as she couldn't afford to make the minimum repayments.*
- *She was in arrears on at least two accounts and had missed a contractual repayment on one in November 2021; she had also made less than the minimum payment required on another account between July 2021 and November 2021.*
- *On most accounts Ms H was only making minimum repayments, and had done so for some time, leading to two lenders writing to her about persistent debt.*
- *Ms H was using some of the credit cards to take out cash advances.*

I appreciate that not all the above will have been visible to Zilch when they carried out their own credit check. For example, they may not have been aware of the cash advances or any informal arrangements to pay. But Zilch would have seen that Ms H already had substantial credit commitments which she was struggling to manage. And that there were signs of financial difficulties, by way of arrears, late payments and persistent debt.

So, I think Zilch ought to have been aware that Ms H was likely struggling financially. The new account would have increased Ms H's indebtedness and put further strain on her finances to such an extent that providing her with additional lending was irresponsible.

For the reasons set out above I'm currently minded to say Zilch shouldn't have agreed to open the account, and it follows that any credit limit increase on this card should also not have happened.

I've also considered whether Zilch acted unfairly or unreasonably in some other way given what Ms H has complained about, including whether their relationship with Ms H might have been unfair under s.140A Consumer Credit Act 1974.

However, I'm satisfied the redress I have directed below results in fair compensation for Ms H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

Ms H accepted my provisional decision. Zilch didn't provide any additional information by the agreed deadline.

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.

As neither party has raised any additional arguments or provided further information for me to consider, I've got nothing further to add – my findings are unchanged from those set out above.

Putting things right

I've concluded that Zilch shouldn't have accepted Ms H's application in February 2022. It's fair and reasonable for Zilch to refund any interest and charges incurred by Ms H as a result of the credit unfairly extended to her. So, they should do the following to resolve the complaint:

- Remove all interest, fees and charges that have been applied and calculate the balance outstanding after the above adjustments.
- If the reworking results in a credit balance, this should be paid to Ms H with the addition of simple interest at 8% per year from the date of each overpayment to the date of settlement.
- If after all adjustments have been made Ms H no longer owes any money, then all adverse information regarding the account should be removed from the credit file.
- Or, if an outstanding balance remains, Zilch should look to arrange an affordable payment plan with Ms H for the outstanding amount. If any debt was sold to a third party, Zilch should either repurchase the debt or liaise with the third party to ensure the above steps are undertaken. Once Ms H has cleared the balance, any adverse information as a result of the unfair lending should be removed from the credit file.

*HM Revenue & Customs requires Zilch to deduct tax from any award of interest. They must give Ms H a certificate showing how much tax has been taken off if she asks for one.

My final decision

For the reasons set out above, I uphold this complaint and direct Zilch Technology Limited trading as Zilch to take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 16 December 2025.

Anja Gill
Ombudsman