

## Complaint

Mr R has complained about a credit account Zilch Technology Limited (“Zilch”) provided to him. He says the credit account was unaffordable and so he shouldn’t have been lent to.

## Background

Zilch provided Mr R with a credit account which had a limit of £1,200.00 in September 2024. Mr R’s credit limit was never increased.

One of our investigators reviewed what Mr R and Zilch had told us. And she thought Zilch hadn’t done anything wrong or treated Mr R unfairly in relation to providing the credit account. So she didn’t recommend that Mr R’s complaint be upheld.

Mr R disagreed with our investigator’s assessment and asked for an ombudsman to look at the complaint.

## My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

### *Our typical approach to irresponsible and unaffordable lending complaints*

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 Mr R’s complaint.

Bearing in mind Mr R’s response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

If we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld. We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've considered Mr R's complaint in this context.

*Did Zilch act fairly and reasonably in providing Mr R with his credit account?*

Mr R was provided with a revolving credit facility rather than a loan. And this means that Zilch was required to understand whether a credit limit of £1,200.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,200.00 didn't require especially high monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Zilch hasn't provided us with the output of what it was that it learnt about Mr R or the actual data which it relied upon to determine that the repayments to this account were affordable for him. So I don't know the data it was that Zilch relied upon to reach the conclusion that this account and the limit increase were affordable for Mr R.

In these circumstances, I'm simply not in a position to agree that Zilch has provided sufficient evidence to demonstrate that it did take reasonable steps to understand whether Mr R could afford to repay £1,200.00 within a reasonable period of time. So I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before providing this credit account to Mr R.

As proportionate checks weren't carried out before this agreement was entered into, I can't say for sure what they would've shown. Mr R believes that as Zilch cannot evidence having carried out proportionate checks this should be the end of the matter and his complaint should be upheld.

However, while Zilch's inability or unwillingness to provide the evidence of its checks is incredibly disappointing and I can to some extent understand why Mr R may believe his complaint should be upheld as a result, it is not sufficient for me to uphold Mr R's complaint simply because Zilch hasn't evidenced what it did.

As I explained earlier, what I now need to consider whether carrying out such checks would have made a difference to Zilch's decision. And it is only fair and reasonable for me to uphold the complaint should I be satisfied that Zilch doing more would have resulted in it taking a different course of action – in this case, declining Mr R's application for this credit account.

I've therefore considered the information Mr R has provided with a view to determining whether proportionate checks would have shown that this credit account was unaffordable for him.

Given the amount that Mr R could have ended up owing and the potential amount of the repayments, in order for Zilch's checks to have been proportionate, I think that it would have had to have an understanding of Mr R's income, his payments to existing creditors and his

regular living costs. I want to be clear in saying that this isn't the same as saying that Zilch had to obtain bank statements in order to verify all of this, as how it found out about this was down to it.

Having considered everything provided, I'm not persuaded that Zilch obtaining further information from Mr R would have made a difference on its decision to lend in this instance. I say this because the information Mr R has provided about his finances at the time, on the face of things at least appears to show that when his actual committed expenditure was deducted from what he received each month, he did have the funds to sustainably make the repayments due under this agreement.

I accept that Mr R says that his actual circumstances at the time were worse than what I believe proportionate checks is likely to have shown Zilch. Mr R says that he was provided with this account while he was gambling significantly and this would have been clear to Zilch had it obtained open banking information from him and this been fully reviewed.

I'm sorry to hear about what Mr R has told us and I accept that it is possible that Zilch might have reached a different lending decision had it seen what I've seen now. But the key thing here is not only did Zilch not know about this, I don't think that it can be reasonably expected to have known about Mr R's gambling either as it didn't need to review Mr R's open banking information in the way that he says, or ask him for copies of his bank statements either.

In these circumstances, whilst I do sympathise with what Mr R has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Zilch could not have factored this into its lending decision. I say this particularly in light of the fact that I'm of the view that proportionate checks would not have resulted in Zilch obtaining information that would have shown this.

Finally, and for the sake of completeness, I've noted that Mr R is unhappy that Zilch continued to report arrears, to credit reference agencies, on this account even after his initial complaint. While I appreciate that Mr R had complained that he was irresponsibly lent to, this does not mean that he wasn't required to make the payments to his account. This is especially as it is incredibly rare for a successful outcome to an irresponsible lending to result in a complete write off of the outstanding balance.

I'm also mindful Zilch hadn't upheld Mr R's complaint and as it was requesting the contractual payments due, I'm satisfied that it didn't continue to request payment from him without justification, after he disputed the balance on his account. I appreciate that Mr R may have preferred Zilch to wait until the outcome of his complaint had been finalised before reporting adverse information.

However, there is no dispute that Mr R was behind with his payments on his account and I don't think it was unreasonable for Zilch to report this being the case. This is especially as Mr R's complaint isn't being upheld and reporting that Mr R has been in a payment arrangement, rather than him having missed payments for a period, will have resulted in him being in a slightly better position than he would be. So I'm not persuaded that Zilch acted unfairly in reporting adverse information to credit reference agencies in the way that it did and importantly I don't think that Mr R has lost out as a result of this either.

In reaching my conclusions, I've also considered whether the lending relationship between Zilch and Mr R might have been unfair to Mr R under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Zilch irresponsibly lent to Mr R or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to

suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mr R's sentiments, I don't think that Zilch treated Mr R unfairly or unreasonably when providing Mr R with his credit account. And I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 March 2026.

Jeshen Narayanan  
**Ombudsman**