

complaint

Mr N complains that Indigo Michael Limited (trading as SafetyNet Credit) lent him money irresponsibly because they failed to conduct a proper affordability check before extending credit.

background

In March 2016 Mr N opened an account with SNC with a credit limit of £350. Between April 2016 and July 2016 Mr N's credit limit was increased with a final credit limit increase to £950.

Mr N says that during the time he held the account he developed a gambling addiction which led to him borrowing money he couldn't afford to repay.

Mr N says that SNC should not have increased his credit limit because if it had carried out appropriate checks it would have seen the gambling activity on his account.

Our investigator didn't uphold the complaint. He said that the checks carried out by SNC were proportionate and that despite the fact that Mr N used some of his disposable income for gambling, the account didn't go overdrawn and he always made the repayments.

Mr N didn't agree. He accepted that the credit account was affordable at the start but said that as time went on it became unaffordable because of his gambling addiction. Mr N said he had to work more and more hours to fund his gambling habit and that he was forced to borrow money from other sources.

my findings

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

In deciding whether it's appropriate to advance credit, lenders must undertake reasonable and proportionate checks to see if lending is affordable. The checks the lender is required to do depend on several factors including the amount of credit, the level of repayments, what the lender knows about the customer and the information the customer has provided.

When Mr N applied for the credit account he provided SNC with information about his income and outgoings. He also provided "read only" access to his bank account. Using this information, SNC carried out an affordability assessment and concluded that Mr N had sufficient disposable income to afford the repayments. SNC has said that it carried out weekly affordability checks to ensure that the amount of credit advanced to Mr N was affordable.

SNC has also said that it carried out a credit check when Mr N applied for the account. The credit report showed that Mr N had no county court judgments. It also showed that Mr N had held several short term credit accounts and loan account in the past, 11 out of 14 of which had been settled in full at the time he applied for the account with SNC.

Based on the information available to SNC I don't think there was any need to look into Mr N's finances further. I'm satisfied that SNC carried out reasonable and proportionate checks to make sure that the loan was affordable.

Mr N says that SNC would have seen from his bank account that he had a gambling problem. I've looked at Mr N's bank statements and I can see gambling transactions both before Mr N applied for the credit account and during the time he held the credit account. The bank statements show that Mr N spent more on gambling in the months before he applied for the credit account. Even when the gambling transactions were at their highest, the amount which Mr N spent on gambling was well within his disposable income.

It's not for a business to make judgments about how a consumer spends their money. The gambling transactions decreased during the first few months of the credit account and even when they increased towards the end of the time that Mr N held the account, Mr N's bank account didn't become overdrawn and he always had sufficient credit in the account to make the contractual payment to SNC.

Based on the available information and for the reasons I've given, I'm unable to say that SNC lent to Mr N irresponsibly. I'm satisfied that SNC carried out reasonable and proportionate checks before it approved the credit account and before the credit limit was increased. Therefore I won't be asking SNC to do anything.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 1 March 2019.

Emma Davy
ombudsman