

The complaint

Miss M complains that Advanced Payment Solutions Limited trading as Cashplus lent irresponsibly when it approved her credit card application.

What happened

In August 2021 Miss M applied for a credit card with Cashplus. In the application, Miss M said she had an income of £30,000 a year. Cashplus carried out a credit search and says it found unsecured credit in her name. Cashplus says that when it applied its lending criteria it found Miss M had £268 disposable income after her living costs and commitments were paid. Cashplus approved Miss M's application and sent her a credit card with a limit of £1,500.

Earlier this year, Miss M complained that Cashplus had lent irresponsibly when it approved her credit card. Cashplus issued a final response but didn't uphold Miss M's complaint.

An investigator at this service looked at Miss M's case and upheld it. They thought that Cashplus should've carried out better checks when it was looking at Miss M's credit card application. The investigator said that if Cashplus had carried out more comprehensive checks, like looking at Miss M's bank statements, they would most likely have declined her application.

Cashplus asked to appeal and said a thorough credit search had been completed that didn't return information showing adverse credit. Cashplus also said Miss M's credit file didn't show any evidence of credit searches carried out in the previous 12 months and no evidence of payday loans. As Cashplus asked to appeal, Miss M's complaint has been passed to me to make a decision.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

I've looked at the evidence supplied by Cashplus. I can see it asked Miss M for her personal details and income. But there's nothing in the information provided that shows Cashplus asked Miss M about her residential status or other regular outgoings. With that said, I note

Cashplus says that after it deducted Miss M's regular expenses and credit commitments she was left with around £286 a month as disposable income.

Cashplus also says it carried out a credit search to get a detailed picture of Miss M's outgoings. Our investigator noted Miss M already had a reasonable level of credit, including short term loans, when she applied to Cashplus. In response, Cashplus said there was no evidence of other credit searches carried out against Miss M in the 12 months before she applied. But I've looked at Miss M's credit file and can see various new credit commitments, including a secured loan, unsecured loans and credit card all opened in the 12 months before she applied to Cashplus.

Whilst I note Cashplus' response, I think the amount of new debt Miss M had incurred in the period before her credit card application indicated she was reliant on credit to make ends meet. I think the information on Miss M's credit file should've caused it to carry out more comprehensive checks before proceeding.

There's no set list of checks a lender has to complete. Obtaining evidence of a borrower's income or reviewing their bank statements are options available. Miss M's sent us her bank statements for the months immediately preceding her credit card application. I can see that Miss M wasn't receiving pay in line with the figure given in the application form. And the bank statements show evidence of further borrowing at a reasonable level from other lenders in the months leading up to the credit card application as well. I'm satisfied Miss M's bank statements show she was reliant on credit and likely unable to support further borrowing. In my view, if Cashplus had carried out better checks, like looking at Miss M's bank statements, it would've most likely found that further borrowing wasn't sustainable for Miss M and declined her application.

Having considered all the available evidence, I agree with Miss M that Cashplus lent irresponsibly. As a result, I'm upholding her complaint.

My final decision

My decision is that I uphold Miss M's complaint and direct Advanced Payment Solutions Limited trading as Cashplus to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied from inception
- If the rework results in a credit balance, this should be refunded to Miss M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Cashplus should also remove all adverse information regarding this account from Miss M's credit file
- Or, if after the rework there is still an outstanding balance, Cashplus should arrange an affordable repayment plan with Miss M for the remaining amount. Once Miss M has cleared the balance, any adverse information in relation to the account should be removed from her credit file

*HM Revenue & Customs requires Cashplus to deduct tax from any award of interest. It must give Miss M a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 17 January 2024.

Marco Manente
Ombudsman