

Complaint

Mr Y has complained about a credit card Zilch Technology Limited (trading as “Zilch”) provided to him. He says the credit card and the subsequent credit limit increase were unaffordable and if his affordability had been checked it would have seen that he shouldn’t have been lent to.

Background

Zilch provided Mr Y with a credit card with an initial limit of £100 in November 2022. Mr Y’s credit limit was increased to £200 in December 2022. The limit was subsequently decreased to £140 and then £25 after this.

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

Mr Y 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.

Having carefully considered everything, I’ve not been persuaded to uphold Mr Y’s complaint. I’ll explain why in a little more detail.

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 Y’s complaint.

Zilch needed to make sure it didn’t lend irresponsibly. In practice, what this means is Zilch needed to carry out proportionate checks to be able to understand whether Mr Y could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Zilch says it agreed to Mr Y’s initial application for his credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr Y would be able to make the low monthly repayments due for this credit card. I

understand that for the limit increase, it also considered Mr Y's account activity as well as the external information obtained, justified the small increase offered.

On the other hand Mr Y says that he was already struggling and shouldn't have been provided with this credit card. He's also referred to a different complaint having been upheld.

I've considered what the parties have said.

What's important to note is that Mr Y was provided with a revolving credit facility rather than a loan. And this means that Zilch was required to understand whether credit limits of £100 and then £200 could be repaid within a reasonable period of time, rather than in one go. Credit limits of £100 and £200 required very small monthly payments (in comparison to the information Mr Y has provided in relation to his income) in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've considered a copy of the full credit file Mr Y has provided and which is likely to be indicative of the information Zilch obtained from credit reference agencies. And while I appreciate that Mr Y may disagree with this, Mr Y's indebtedness wasn't such that Zilch ought to have realised that Mr Y didn't have the funds to make the extremely low monthly payment that would be required for this credit card and the credit limit increase.

Given the information provided to me, I'm satisfied that was reasonably entitled to conclude that credit limits of £100 and £200 were affordable for Mr Y.

Overall and having considered everything, while I can understand Mr Y's sentiments, I don't think that Zilch treated Mr Y unfairly or unreasonably when providing Mr Y with his credit card or the subsequent limit increase. And I'm not upholding Mr Y's complaint. I appreciate this will be very disappointing for Mr Y. 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 Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 10 June 2024.

Jeshen Narayanan
Ombudsman