

Complaint

Miss M has complained about a credit card and subsequent limit increase Lendable Ltd (trading as “Zable”) provided to her. She says the credit card and limit increase were irresponsibly provided to her as they were unaffordable.

Background

Zable provided Miss M with a credit card with an initial limit of £500 in June 2021. Miss M's credit limit was subsequently increased to £800 in August 2021. One of our investigators initially reviewed Miss M's complaint. He thought Zable hadn't done anything wrong or treated Miss M unfairly when providing the card or increasing the credit limit. Miss M disagreed and asked for an ombudsman's review.

My findings

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

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 Miss M's complaint.

Having carefully considered everything, I've not been persuaded to uphold Miss M's complaint. I'll explain why in a little more detail.

Zable needed to make sure it didn't lend irresponsibly. In practice, what this means is Zable needed to carry out proportionate checks to be able to understand whether Miss M 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.

Zable says it agreed to Miss M's application after it obtained information on her income and her rent payments and also carried out a credit search. And the information obtained indicated that Miss M would be able to make the low monthly repayments due on the initial credit limit and the subsequent increase. On the other hand Miss M says that the credit card and the limit increase were unaffordable and so she shouldn't have been provided with them. I've considered what the parties have said.

What's important to note is that Miss M was provided with a revolving credit facility rather than a loan. And this means that Zable was required to understand whether credit limits of

£500 and £800 could be repaid within a reasonable period of time, rather than all in one go. Credit limits of £500 and £800 both required relatively low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Furthermore, I've seen records of the information Zable obtained from Miss M about her income and that was on the credit search carried out. And this information doesn't indicate to me that Zable ought to have realised that Miss M didn't have the funds to make the relatively low monthly payments that could be required for this credit card.

I appreciate that Miss M's circumstances were may have been worse than what the information shows. I note that she says that she can't make her payments. But Zable could only make a decision based on the information it had at the time. As there wasn't anything in the information gathered indicating that Miss M would not be able to make the payments necessary to repay what she could owe within a reasonable period of time at the lending decision was made, I don't think that Zable needed to do anything more, or that it reached unreasonable decisions on whether to lend.

Indeed, for the limit increase, albeit it was offered a short period of time after the initial decision, Miss M was already paying the amount needed to clear a balance of this amount within a reasonable period of time.

So overall while I can understand Miss M's sentiments, I don't think that Zable treated Miss M unfairly or unreasonably when providing Miss M with her credit card, or increasing her credit limit. And I'm not upholding Miss M's complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind Zable of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Miss M's credit card and it is the case that she is now experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 May 2024.

Jeshen Narayanan
Ombudsman