

Complaint

Mr M has complained about a credit card Lendable Ltd (trading as “Zable”) provided to him. He says the credit card was irresponsibly provided to him as his existing indebtedness meant that it was unaffordable.

Background

Zable provided Mr M with a credit card with an initial limit of £800 in November 2022. Mr M wasn't provided with any credit limit increases.

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

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 M's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr 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 Mr 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 Mr M's application after it obtained information on him income and carried out a credit search. And the information obtained indicated that Mr M would be able to make the low monthly repayments due for this credit card. On the other hand Mr M says that he was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

What's important to note is that Mr M was provided with a revolving credit facility rather than a loan. And this means that Zable was required to understand whether a credit limit of £800 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £800 required relatively small monthly payments (in comparison to Mr M's income) in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Zable obtained from Mr M about his 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 Mr M didn't have the funds to make the low monthly payment that would be required for this credit card. Mr M might have had a default on his credit file. But this wasn't recent. And I don't think that this was enough to mean that Zable ought to have automatically declined Mr M's application.

I appreciate that Mr M says that his circumstances were worse than this, he was struggling and had applied for other credit in the lead up to this application. But Zable won't have known this as the credit search didn't show these applications and it does take a few weeks for records to update. Mr M says that it's not fair for him as a customer as he isn't responsible for lenders reporting correctly.

I accept that Mr M might not be responsible for the length of time it takes for records to update. But nonetheless he was aware that he'd applied for the credit he's referred to. So he ought to have been aware of the impact the payments to those accounts might have on his ability to afford the payments to his Zable credit card. In any event, what's most important here is that Zable could only make a decision based on the information it had at the time.

And as the credit searches carried out didn't show the applications Mr M has referred to and the rest of the information obtained showed that Mr M was likely to be able to make the low monthly payments he could have to make to this card at the time the lending decision was made, I don't think that Zable needed to do anything more.

I've also seen that Mr M has referred to the interest rate and cash withdrawal fees for his card being high. However, I've looked at Mr M's credit agreement. The interest rate of 34.9% APR is clearly set out on it. Furthermore, the related costs section of the agreement states that a fee of 3% on the amount of a cash advance, subject to a minimum of £3, would be applied to any cash advance.

All of this information was also included in the pre-contractual documentation Mr M was encouraged to read before the agreement was entered into. So while Mr M may be unhappy with the interest and charges as he was notified of them before he entered into his agreement and used his card, I don't think that Zable applied any of this to his account unfairly.

So overall while I can understand Mr M's sentiments, I don't think that Zable treated Mr M unfairly or unreasonably when providing Mr M with his credit card. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 November 2023.

Jeshen Narayanan
Ombudsman