

## Complaint

Mr T says J D Williams & Company Limited (trading as “Premier Man”) irresponsibly lent to him. He says his credit limit shouldn’t have been increased so many times when he was only ever covering the minimum payment.

## Background

This complaint is about a catalogue shopping account Premier Man initially provided to Mr T in October 2007. Mr T was initially given a credit limit of between £125 and £250. This limit was increased 6 times until it eventually reached £3,000.00 in December 2011. Mr T fell into arrears and his account eventually entered into a debt management plan.

Our adjudicator partially upheld Mr T’s complaint and thought the limit increases from the fifth one onwards, in November 2010, shouldn’t have been given. Premier Man didn’t agree and the complaint was passed to me.

## My findings

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We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Premier Man needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr T could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Premier Man should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the greater the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Our adjudicator set out in some detail why he thought it Premier Man unfairly increased Mr T's credit limit from November 2010 onwards. As Premier Man didn't elaborate upon its reasons for disagreeing, I don't know what it thinks our adjudicator got wrong.

Nonetheless, I've also looked at the overall pattern of Premier Man's lending history with Mr T, with a view to seeing if there was a point at which Premier Man should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Premier Man should have realised that it shouldn't have increased Mr T's credit limit.

Given the particular circumstances of Mr T's case, I also think that this point was reached in November 2010. I say this because proportionate checks would have shown Premier Man that Mr T was having difficulty managing his money. Mr T was in a cycle of payday lending and was relying on further lending in order to repay what he already owed. He'd also only made the minimum payment due on his account – and not making any real inroads into what he owed - for most of the year leading up to November 2010

So I think that proportionate checks will have shown Premier Man that Mr T was already struggling to sustainably repay what he owed and that there was a significant risk increasing his credit limit in these circumstances would lead to his indebtedness increasing unsustainably.

I think that Mr T lost out because Premier Man continued to increasing Mr T's credit limit from November 2010 onwards because this unfairly prolonged Mr T's indebtedness by allowing him to use credit he couldn't afford over an extended period of time and the interest being added got him into further debt. So Premier Man should put things right.

#### **Fair compensation – what Premier Man needs to do to put things right for Mr T**

- rework the account to ensure that from November 2010 onwards interest is only charged on the first £2,500.00 outstanding to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Premier Man should contact Mr T to arrange a suitable repayment plan for this. If Premier Man considers it appropriate to record negative information on Mr T's credit file, it should backdate this to November 2010.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr T, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Premier Man should remove any adverse information from Mr T's

credit file.†

†HM Revenue & Customs requires Premier Man to take off tax from this interest. Premier Man must give Mr T a certificate showing how much tax it's taken off if he asks for one.

If Premier Man sold the outstanding balance on this account to a third-party debt purchaser and an outstanding balance remain, Premier Man would either need to buy the account back from the third party and make the necessary adjustments, or pay an amount to the third party in order for it to make the necessary adjustments. If Mr T has settled the account already then any compensation due (when any payments made to the debt purchaser are taken into account) should be paid directly to Mr T.

### **My final decision**

For the reasons set out above, I'm partially upholding Mr T's complaint. J D Williams & Company Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 April 2022.

Jeshen Narayanan  
**Ombudsman**