

The complaint

Mr S has complained that J D Williams & Company Limited trading as Jacamo irresponsibly lent to him.

What happened

Mr S opened a shopping account with J D Williams in May 2013. His account limit was initially low - £175. Over the course of the next three years Mr S's account limit was increased eight times until, 26 April 2016, it was £2,500. In October 2017 it was reduced to £2,360.

Mr S says that he couldn't keep up with the payments and that he got further into debt trying to meet them. Mr S says that J D Williams shouldn't have lent to him and didn't do checks to make sure the lending was affordable for him. He explains that he was very unwell and suffered from several significant health conditions when he took out the credit which have endured since then.

J D Williams says it did all the necessary checks before it lent to Mr S – and when it increased his credit limit. However, it accepts that once it had been informed of Mr S's health difficulties it should have frozen his account and not sold it on to a debt collection agency. To make up for this, J D Williams had already said before Mr S brought his complaint to this service that it would write off the outstanding balance and would ensure Mr S's credit file was updated to reflect this.

Mr S also complained about some administrative issues. He said J D Williams took too long to write off his outstanding balance and that there was confusion about which party should complete the write-off.

Our adjudicator completed an assessment of the complaint and concluded that some of the increases in credit to Mr S should not have happened. However, the adjudicator did not think any further redress was due to Mr S as a result of this.

Mr S disagreed, so the complaint has been passed to me to decide.

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.

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 and I've taken that into account when considered Mr S's complaint.

J D Williams 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 S 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 Mr S's income and expenditure.

Certain factors might point to the fact that J D Williams should fairly and reasonably have done more to establish that any lending was sustainable for Mr S. These factors include:

- Mr S'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 amount due to be repaid, reflecting that it could be more difficult to meet a higher repayment from a particular level of income;
- The frequency of borrowing and the length of time Mr S had 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 considered that in relation to the opening of the account and the first to sixth increases, J D Williams' checks were appropriate or, in cases where the checks hadn't been done as they ought to have been, if they had been done it wouldn't have resulted in a different outcome. The adjudicator considered that the seventh and eighth credit limit increases were not suitable.

Our adjudicator explained that she did not think that any compensation was due, though. This was because over the term of the agreement Mr S had paid back to J D Williams less than the cost of the goods he had received. So, essentially, Mr S had not paid any interest or charges on the goods and had not paid back the cost of the goods in total before J D Williams agreed to write off the outstanding amount.

I have considered whether it would be fair to write off the cost of the goods too. Mr S's representative says that he didn't receive any benefit from many of the goods as he sold them to third parties for significantly less than what he paid for them. Mr S's representative explains this happened as a direct result of Mr S's health condition. Mr S's representative has provided some evidence in the form of PayPal statements to support this. But I can't establish from these what was sold, what conditions they were in and whether they were items that had been bought on credit from J D Williams.

So, I don't think it would be fair to make J D Williams pay back the cost of Mr S's purchases, even if the original lending decisions were not suitable.

I have not completed a full assessment of each lending decision, because I agree that it would not make a difference to the outcome of this complaint. I consider J D Williams' offer to write off the whole outstanding debt and to remove adverse information from Mr S's credit file to be fair. Following our adjudicator's assessment, it has agreed to remove adverse information from July 2015 onwards, which I agree is a fair way to put things right. Mr S has also complained about some administration problems. He says that it took too long for J D Williams to write off his outstanding balance and that there was confusion about which party was to complete the write-off.

J D Williams did make an error in its final response to Mr S when it said the debt collection agency would be responsible for writing off the balance and this caused some distress and

inconvenience to Mr S. But Mr S didn't experience any financial detriment as a result of the delay, so I don't think J D Williams needs to compensate Mr S for this.

Putting things right

J D Williams has now agreed to remove adverse information from Mr S's credit file from July 2015 onwards.

My final decision

For the reasons explained above I think J D Williams' offer to write off Mr S's outstanding debt and to adjust his credit record accordingly is a fair resolution to Mr S's complaint. J D Williams does not have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 May 2022.

Sally Allbeury
Ombudsman