DRN-3441237

The complaint

Ms S says J D Williams & Company Limited irresponsibly lent to her.

What happened

This complaint is about two catalogue shopping accounts provided by J D Williams to Ms S.

Account A was opened in December 2012 with an initial credit limit of £125. This was then decreased to £110 in April 2013.

Account B was opened in May 2017 with an initial credit limit of £155. This limit was increased each month for five months reaching £1,000 in September 2017.

Our investigator upheld Ms S's complaint in part. He thought that giving both Account A and B were not unreasonable lending decisions, nor were the first three limit increases on Account B. But he thought that J D Williams ought to have realised that Ms S wasn't in a position to sustainably repay any further credit on Account B by the time it increased the limit to £700 in August 2017.

J D Williams disagreed. In summary, it said what evidence had we used to conclude the limit increases were harmful; if a default was historic this would not stop it lending and Ms S managed Account B without problems until May 2018 – the late payment in January 2018 was due to her payday moving.

As an agreement wasn't reached the complaint was passed to me to make a final decision.

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.

J D Williams will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website and I have followed it here.

Prior to providing credit to Ms S, J D Williams carried out a credit check using a credit reference agency to determine the amount of credit it was able to offer. And for the credit limit increases it did the same, as well as assessing the spending and payment activity on Ms S's account.
Account A

J D Williams does not have details of all the checks it completed but that is not unreasonable given how long ago it was. From what I have seen however I think the checks J D Williams completed were proportionate given the amount of credit it offered, and I haven't seen any evidence that there were any indicators that the opening credit might be unaffordable for Ms S. It could see she had no arrears or delinquent accounts elsewhere.

It follows I don't think J D Williams was wrong to provide Account A to Ms S.

Account B

Again J D Williams completed a credit check at application. This showed no adverse data, but the lender would have been aware of Ms S's problems repaying Account A. However given the low opening limit it offered and the fact the payment problems were on a small balance around four years ago I don't think it was unreasonable for J D Williams to approve Ms S's application with a £150 limit.

I have then looked at the monthly credit limit increases J D Williams advanced. I have some concerns that the frequency of the limit increases limited J D Williams' ability to understand how any increase was impacting Ms S and whether or not it was financially harmful. But from what I can see based on both the internal and limited external data it seems it was not unreasonable for J D Williams to conclude Ms S was managing her credit well. And although I don't think that this, in itself, means that it knew she was in a position to sustainably repay an increased balance within a reasonable period, I find that the decisions to increase Ms S's credit limit in June and July 2017 weren't unreasonable.

However by August 2017 when it gave a £700 limit J D Williams ought to have realised it was most likely any additional credit would not be sustainably affordable. By this point there was a trend of increased credit utilisation (despite the limit increases) and reduced repayments as a percentage of balance, barely exceeding minimum payment in June and July. The external data also showed Ms S was no longer up-to-date on all her credit elsewhere. In the round I think these factors combined ought to have suggested to the lender that any additional credit was at risk of not being sustainably affordable for Ms S.

It follows I find J D Williams was wrong to increase Ms S's limit in August and September 2017. I have carefully considered the comments it submitted in response to the investigator's assessment but for the reasons set out above they do not change my conclusion.

Putting things right on Account B

Ms S should pay the cash price for any goods she has kept. But I don't think Ms S should have to pay any interest or charges on any balance over £500 from August 2017, so J D Williams should:

- rework Ms S's account to ensure that from August 2017 interest is only charged on the first £500 outstanding, all late payment and over limit fees should also be removed;
- if an outstanding balance remains on Ms S's account once all adjustments have been made J D Williams should contact Ms S to arrange a suitable repayment plan for this;
- if the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms S along with 8% simple interest† on the overpayments from the date they were made until the date of settlement; and
- amend Ms S's credit file to remove all adverse information recorded from August 2017 to date.

If J D Williams has sold the debt it should first try to buy it back. If it can't do this it must work with the new owner to achieve the same outcome as the steps set out above.

† HM Revenue & Customs requires J D Williams to take off tax from this interest. J D Williams must give Ms S a certificate showing how much tax it has taken off if she asks for one.

My final decision

I am upholding Ms S's complaint in part. J D Williams & Company Limited must put things right as set out above

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 27 July 2022.

Rebecca Connelley
Ombudsman