

## **The complaint**

Mr W complains that J D Williams & Company Limited lent to him irresponsibly. He says the lending was unaffordable for him.

## **What happened**

Mr W opened a catalogue shopping account with JD Williams in May 2020.

Mr W says that J D Williams shouldn't have provided him with the credit because it was clear that he had financial difficulties.

Our adjudicator did not uphold Mr W's complaint. They didn't think J D Williams had done anything wrong in its initial lending decision or how it managed the account afterwards. The adjudicator considered that the checks J D Williams said it had done prior to extending the credit were appropriate.

Mr W disagreed, so the case has been passed to me to make a 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.

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 B's complaint.

I issued a provisional decision in this case in April 2022. I invited further comments from both parties. Mr W agreed with my provisional decision. J D Williams made a comment which I address later in this decision but which does not materially change the outcome.

J D Williams needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr W 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, Mr W's lending history and Mr W's income and expenditure.

JD Williams says it completed checks when opening Mr W's accounts and that it made checks each month when it reviewed his lending limits. It says these show that when Mr W applied for his credit that it didn't see anything that should have stopped it lending to Mr W. Specifically, J D Williams told Mr W in its final response to him that the checks it conducted included information provided by a credit reference agency. I think that such a check was an appropriate and proportionate step for J D Williams to take.

J D Williams has provided a copy of the outcome of those checks to this service, however the information it has provided is quite limited and appears to be missing most of the information at the time of the application. I can see that in the first two months there is

apparently nothing of concern. But in the third month there is a significant change in the outcome of these checks. And they contradict the two previous months' results.

J D Williams points out that the information provided to this service in relation to the first two months after the account opened isn't showing correctly due to issues with their internal systems. J D Williams sets out that this doesn't mean there has been a drastic change in circumstances in the following months.

This may well be a shortcoming in J D Williams' internal data. In my provisional decision I had worked on the basis that this information was missing rather than a realistic representation of Mr W's situation at the time of application. This was because it was the only sensible explanation for the apparent sudden change in Mr W's situation.

Mr W has provided this service with a copy of his credit report. It shows that in the months preceding his application to J D Williams he was in significant arrears to several lenders and had defaulted on a number of credit agreements. Given the lack of information J D Williams has provided about the credit checks it did, I think it's reasonable to place significant weight on what Mr W has provided as an indication of what J D Williams will likely have seen.

If J D Williams had conducted the checks it says it completed before opening Mr W's account I think they would have seen this information. J D Williams indicates that it took a few months for the information to filter through. But this isn't satisfactory. I think the information about Mr W's financial situation was available to J D Williams and it should have realised Mr W was not able to afford to repay what he was being lent in a sustainable manner. J D Williams should have realised that Mr W was in financial difficulty and would have had trouble paying back even a modest amount of credit. So I don't think it should have provided Mr W with a credit account at all.

### **Putting things right**

As I don't think JD Williams ought to have opened Mr W's account, agreement. But I think Mr W should pay back the amounts he borrowed. Therefore, J D Williams should:

- Rework the account removing all interest and charges that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr W along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. J D Williams should also remove all adverse information regarding this account from Mr W's credit file.
- Or, if after the rework there is still an outstanding balance, J D Williams should arrange an affordable repayment plan with Mr W for the remaining amount. Once Mr W has cleared the balance, any adverse information in relation to the account should be removed from his credit file.
- If J D Williams sold the outstanding balances on any of these accounts to a third party debt purchaser, it either needs to buy the accounts back from the third party and make the necessary adjustments; pay an amount to the third party so it can make the necessary adjustments; or pay Mr W an amount to ensure that it fully complies with this decision.

\*HM Revenue & Customs requires JD Williams to deduct tax from any award of interest. It must give Mr W a certificate showing how much tax has been taken off if he asks for one.

### **My final decision**

I uphold Mr W's complaint in full. J D Williams should pay compensation to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 June 2022.

Sally Allbeury  
**Ombudsman**