

The complaint

Mr G complains through his representative that J D Williams & Company Limited irresponsibly provided him with, and increased the credit limit on, mail order accounts so he couldn't afford the repayments.

What happened

J D Williams provided Mr G with two mail order credit accounts, one in the brand name of Fashion World and the other in the company's name. The Fashion World account (account 1) was provided on 8 September 2018, with an initial limit of £200 and the following credit limit increases were applied:

24/11/2018	£200 - £300
22/12/2018	£300- £500
19/01/2019	£500 - £700
16/03/2019	£700 - £1,000
23/11/2019	£1,000 - £1,250
21/12/2019	£1,250 - £1,500

The other J D Williams account (account 2) was provided to Mr G on 6 July 2019 with a credit limit of £125, which hasn't been increased.

Mr G complained about irresponsible lending. His representative said that J D Williams should have probed further into his personal circumstances before providing the credit. It has provided a recent credit report, dated March 2022, with six years' records shown.

J D Williams said that in respect of account 2, its internal checks failed in July 2019 so it shouldn't have provided the credit. It agreed to refund all interest and charges incurred. It further said it shouldn't have provided the increase to the limit on account 1 from 21 December 2019 and has agreed to refund all interest and charges over that limit incurred from that date.

In respect of providing account 1 in 24 November 2018 and all subsequent limit increases from then until December 2019, J D Williams said it assesses all credit applications applied using several sources of information, which includes information provided by a Credit Reference Agency. It uses up to date information regarding financial status, along with other internal eligibility criteria that the applicant must meet before it is able to offer a credit account. In Mr G's case it assessed that the credit provided and the increases in question were affordable.

On referral to the Financial Ombudsman Service our investigator said that providing account 1 was reasonable, but noted that when the first credit limit increase occurred, Mr G was three months in arrears on three of his revolving credit accounts (credit cards and/or

other credit accounts). He was also in arrears with account 1. As she didn't think there was any persuasive evidence that Mr G's circumstances had improved after the first increase so the other increases weren't justifiable either.

J D Williams stated that this was a misinterpretation of its codes as the number 3 in the "worst current status" column indicates one payment on another account being in arrears, "6" being two months behind and so on. It also said that account 1 wasn't actually in arrears because of a payment refund.

The matter has been referred to me for further consideration.

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.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did J D Williams complete reasonable and proportionate checks to satisfy itself that Mr G would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Mr G would have been able to do so?
- Bearing in mind the circumstances at the time of each application, was there a point where J D Williams ought reasonably to have realised it was increasing Mr G's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?

account 1

As far as the evidence is concerned I note that J D Williams no longer has the application data for account 1, as it was disposed of after three years. It has produced spreadsheets of the account history which shows the points at which the credit limit was increased and the history of spending on the account.

I have to say that I would expect records to be retained for six years, as a consumer can make a complaint up to six years after the event in question. On the spreadsheet evidence provided there are codes which aren't really sufficiently intelligible. For example if the number increases in multiples of three (as J D Williams maintains) this doesn't account for figures like "1" and "5" showing in the relevant column. I have however reviewed the credit report provided by Mr G's representative which does contain information going back six years and is much more readily intelligible.

There is very little information concerning the opening of this account. The initial credit limit was £200 but I haven't seen that Mr G's income and expenditure was checked. From the credit account I can see that Mr G was at that stage in two months arrears on a home credit loan. Bearing in mind that his maximum liability at that stage was £10 per month, I can't say that it was unreasonable to provide the account 1.

By the time J D Williams increased the limit in November 2018 to £300, Mr G was four months in arrears with a utility payment, which increased to five months in December 2018, before that month's increase. I think that indicated Mr G was having trouble meeting his basic living expenses, and probably a priority debt, so by that time J D Williams should have

carried out a full income and expenditure check. On the face of it J D Williams shouldn't have increased the credit limit in November and December 2018.

Mr G remained three months in arrears with this utility payments from February to April 2019. As I've seen no evidence that his income and expenditure was checked during this period, I don't think J D Williams should have increased the credit limit in January and March 2019.

In respect of the November and December increases I've noted that J D Williams agreed it shouldn't have provided account 2 from July 2019. This was because its system failed to detect missed payments. Whilst J D Williams has agreed to refund the interest and charges from 21 December 2019, this should clearly have been from the increase in November 2019. So it shouldn't have increased the limit in November and December 2019 either.

account 2

J D Williams has already agreed that this account shouldn't have been provided. I'll deal with the necessary repayments in my directions below. J D Williams can deduct any refunds already made.

Overall for account 1 the credit limit shouldn't in my view have been increased after the initial opening of the account. And I agree that account 2 shouldn't have been provided.

Putting things right

As I don't think J D Williams ought to have opened account 2, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. In respect of account 1, as I don't think J D Williams should have increased Mr G's credit limit above £200, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. But in respect of both accounts, I think Mr G should pay back the amounts they have borrowed. Therefore, J D Williams should:

Rework account 2 removing all interest and charges that have been applied, and in respect of account 1, remove all interest and charges that have been applied to balances above £200. It may take account of any refunds already made.

If the rework results in a credit balance, this should be refunded to Mr G 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 accounts 1 and 2 from Mr G's credit file.

Or, if after the rework there are still outstanding balances, J D Williams should arrange an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the balances, any adverse information in relation to the accounts should be removed from his credit file.

*HM Revenue & Customs requires J D Williams to deduct tax from any award of interest. It must give Mr G a certificate showing how much tax has been taken off if he/she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I uphold the complaint and require J D Williams & Company Limited to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 January 2023.

Ray Lawley
Ombudsman