

## **The complaint**

Mrs G complains that Grattan Plc irresponsibly gave her three catalogue shopping accounts she couldn't afford.

## **What happened**

Mrs G was given three separate catalogue shopping accounts by Grattan between 2015 and 2020. These were running account credit agreements with a fixed credit limit. The credit limit was increased on each account at least once.

Account one was opened in September 2015 with a credit limit of £100. The limit was increased twice until it reached £400 in June 2020. Account two was opened in February 2016 with an initial limit of £100. The limit was increased three times until it reached £400 in July 2016. The limit was reduced to £350 in January 2019. Account three was opened in April 2020 with an initial limit of £100. The limit was increased once to £200 in June 2020.

Mrs G complained to Grattan in March 2022 to say it should never have given her the accounts or the subsequent credit limit increases because they were unaffordable to her. Grattan said that it had carried out adequate affordability checks before lending and these checks didn't show any concern about her ability to repay the credit.

Our adjudicator recommended the complaint be upheld in part. She didn't think Grattan completed proportionate affordability checks from the time Mrs G's overall limit with Grattan had reached £300. However, as Mrs G hadn't provided us with enough information about her financial circumstances, our adjudicator wasn't satisfied Grattan had acted unfairly in granting Mrs G with a total credit limit of up to £600 across accounts one and two.

At the time account three was opened our adjudicator said that Grattan had enough information available to it to indicate further credit was unlikely to be affordable and sustainable for her. She said that Grattan shouldn't have granted further credit from this point and it should therefore refund any interest and charges it had applied to balances above £200 on account one and all interest and charges on account three.

Mrs G accepted that outcome, but Grattan didn't. In summary, it said that Mrs G declared her income to be £3,250 per month at the time of the application for the third account. The income was verified using information from a credit reference agency. It acknowledged Mrs G had around £6,000 in other credit debts at the time and some recent defaults, but it said the credit check showed her financial situation was improving each month. Therefore, Grattan didn't consider there to be any concerns with affordability.

The complaint has been passed to me for 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.

Prior to approving credit to Mrs G, Grattan were required to carry out proportionate affordability checks to ensure the borrowing wasn't going to cause her financial difficulty. What is proportionate will vary depending on the circumstances, such as (but not limited to): the amount of credit, the size of the repayments and the consumer's circumstances. What this means is that there isn't a one-size-fits-all approach and in the case of a running account credit facility such as the ones Grattan provided, it means that it's likely more thorough checks will be required later in the lending relationship as more credit is granted.

Account one was opened with a limit of £100. Grattan completed a credit check to understand how Mrs G had managed her previous and existing credit commitments. While this showed some historic payment difficulties and a few recent late payments, I don't think there was anything to indicate Mrs G couldn't sustainably afford this level of credit. The limit on account one was raised to £200 the following month and for the same reasons, I've seen nothing to persuade me that was an unfair lending decision.

When account two was opened with a limit of £100, Mrs G had a total limit of £300 across both accounts. I think by this stage it would have been proportionate for Grattan to have completed more thorough checks, such as getting a better understanding of Mrs G's income and essential expenditure. I say this because Mrs G had already missed a few payments on account one and had recent missed payments on other external credit. I think this ought to have indicated that she may have been struggling financially.

However, Mrs G hasn't provided us with sufficient information about her financial circumstances at the time. Without this, I can't reasonably say more thorough checks would likely have shown Grattan that further credit was unaffordable to her. For that reason, I don't think it acted unfairly in opening account two.

Over the next five months the limit on account two was increased to £400. I don't think Grattan completed proportionate affordability checks for each of those increases either and for broadly the same reasons as when it opened account two. But because Mrs G hasn't given us sufficient detail about her financial circumstances, I haven't seen anything to persuade me that had Grattan completed more thorough checks, it ought to have seen she couldn't afford the repayments. So, I don't consider it acted unfairly in opening account two or increasing the limit to £400.

The credit limit on account two was reduced to £350 in January 2019. It's not clear exactly why Grattan did this, but it seems to have been in response to Mrs G's poor management of the account. In summary, she had repeatedly paid late over a significant period of time and had a recent default on another external credit facility.

Account three was opened in April 2020 with a limit of £100, giving Mrs G a total limit of £650 across her three accounts with Grattan. Like the adjudicator, I think by this point Grattan had sufficient information available to it to demonstrate that Mrs G was unlikely to be able to afford further increases in her credit in a sustainable way. It therefore shouldn't have opened account three or given her any further increases on her other two accounts (account one had a further limit increase in June 2020 from £200 to £400).

I say this because in the year prior to opening account three, Mrs G had incurred late payment or overlimit fees in nine out of twelve months on account one. Mrs G had also demonstrated an inability to manage credit elsewhere due to her defaulting on several other credit commitments in the previous 18 months. While Grattan has said the last of those was 14 months prior, it could see that she was still regularly in arrears on other external accounts right up to the opening of account three, including one of their own accounts.

Over the course of its lending relationship with Mrs G since 2015, it could see that she had

regularly and consistently struggled to maintain her credit commitments. The way she had managed her Grattan accounts, in particular account one ought to have also highlighted how she was unable to sustainably meet the contractual payments when they fell due.

I note Grattan says that it verified that Mrs G had a relatively large monthly income, but the size of income in isolation does not in and of itself indicate affordability. Clearly, Mrs G was struggling financially irrespective of the size of her income and it was therefore irresponsible to give her access to more credit that she hadn't adequately demonstrated she could afford to pay back sustainably. Grattan therefore acted unfairly by giving her further credit by way of opening account three and increasing the limit on account one. To put things right it should therefore refund any interest and charges Mrs G has incurred as a result of the credit that was unfairly given to her.

### **My final decision**

For the reasons given above, I uphold this complaint and direct Grattan Plc to:

- It should rework account three to remove all interest and charges incurred on this account since it opened. It should rework account one to remove all interest and charges that have been applied to any balances above £200 since June 2020 (the date of the unfair limit increase).
- If the rework on either account results in a credit balance, that credit balance should be refunded to Mrs G along with 8% simple interest per year from the date the account would have first gone into a credit balance to the date of settlement.
- If the rework on either account results in there still being an outstanding balance, Grattan should arrange an affordable repayment plan with Mrs G for the outstanding amount.
- Once Mrs G has cleared the balance on account three, Grattan should close that account and remove any adverse information recorded on Mrs G's credit file in relation to it. Once Mrs G's balance on account one falls below £200 Grattan should remove any adverse information from Mrs G's credit file in relation to that account from June 2020.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 30 August 2022.

Tero Hiltunen  
**Ombudsman**