

## **The complaint**

Mrs M says Grattan Plc irresponsibly lent to her on four accounts. She has requested that the interest and late payment charges she paid on the accounts be refunded.

## **What happened**

This complaint is about four catalogue shopping accounts provided by Grattan Plc to Mrs M. From what I've seen, Grattan Plc provided Mrs M with the following four accounts:

Account 1 (Look Again) opened in April 2014 with a credit limit of £200. There were three credit limit increases between July 2014 and September 2014, with a final credit limit of £500. The credit limit decreased to £400 in December 2014, increasing again to £500 in January 2017.

Account 2 (Bon Prix) opened in April 2015 with a credit limit of £200. There were two credit limit increases; in January 2017 the credit limit rose to £300 and it rose again in July 2017 to £500.

Account 3 (Look Again) opened in October 2017 with a credit limit of £300. There were no increases to this credit limit.

Account 4 (Bon Prix) opened in May 2018 with a credit limit of £300. There were two credit limit increases; in July 2018 the credit limit rose to £400 and in August 2018 it rose to £500.

It is my understanding that a payment plan was set up for each account in January 2019, before the balances were passed to a third party debt collection agency in March 2020.

Our adjudicator partially upheld Mrs M's complaint and thought that Grattan Plc ought to have realised Mrs M simply wasn't in a position to have her credit limit on account 1 increased to £400 in August 2014. And he thought Grattan Plc ought not to have provided Mrs M with accounts 2, 3 and 4.

Grattan disagreed but thought it could see signs of financial difficulty by February 2017. And so, upon reflection, they thought they shouldn't have extended any further credit after that point in time. Mrs M did not wish to accept this offer.

The complaint has therefore been passed to me to decide.

I issued my provisional decision in respect of this complaint on 1 August 2022, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the adjudicator's view and that it was my intention to uphold Mrs M's complaint from a later date than our adjudicator. I set out an extract below:

*"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.*

*After reviewing all of the information provided in this complaint, I intend to partially uphold Mrs M's complaint. I explain why below.*

*Grattan Plc 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 Mrs M could afford to repay what she 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 the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.*

*But certain factors might point to the fact that Grattan Plc should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:*

- the lower a consumer'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 higher 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 greater the frequency of borrowing, and the longer the period of time during which a customer has 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 set out in some detail why he thought Grattan Plc shouldn't have provided Mrs M with any additional credit in August 2014 and thereafter. Grattan Plc didn't agree with what our adjudicator said. It said the credit limits it set were affordable for Mrs M. Grattan Plc told us it obtained credit reference data about Mrs M at the time of the account opening and prior to each credit limit increase and that it took into consideration how the account was being managed.*

*Mrs M's complaint is that Grattan Plc made credit available that was unaffordable. It's not easy to determine affordability when Mrs M has been unable or unwilling to provide bank statements for her day to day account from the times in question. And Grattan Plc has not been able to speak about Mrs M's income at the time as they do not appear to have requested details of it from Mrs M at the times in question. If Mrs M has some bank statements and a credit report, I would be happy to consider them before progressing the case further.*

*It's possible that Grattan Plc failed to make adequate checks before providing Mrs M with both the credit and the credit increases. But even if that's true, I don't think better enquiries would have caused Grattan Plc to think the initial credit limit or the early credit increases were unaffordable.*

*I say that because the initial credit limit and the early credit limits were modest and the maximum monthly payments for that credit would have been relatively modest. And*

*subsequently, through some of the credit increases, the account was mostly well managed; the payments were not missed or under paid until 2017.*

*I have noted that in the year preceding the initial lending, Mrs M had an amount of credit elsewhere and that Mrs M had a number of credit sources start and finish in the 12 months before the original lending. This could suggest that Mrs M was borrowing from short term lenders, which could denote that she was in some degree of financial difficulty. But, for the reasons I've mentioned above, I have seen insufficient evidence that Mrs M was in financial difficulty, such that the very modest initial credit and the very modest early credit increases made the lending unreasonable.*

*Nonetheless I've also looked at the overall pattern of Grattan Plc's lending history with Mrs M, with a view to seeing if there was a point at which Grattan Plc should reasonably have seen that further lending was likely unsustainable, or otherwise harmful. If so, that would mean Grattan Plc should have realised that it shouldn't have further increased Mrs M's credit limits.*

*Having done so, I think there was such a point in May 2017. At that time Mrs M had two accounts running with Grattan Plc, account 1 was at a credit limit of £500 and account 2 was at a credit limit of £300. I think there was a pattern of lending that ought to have put Grattan Plc on notice that putting up the credit limit any further was unsustainable as Mrs M would not have been able to afford to repay what she was being lent in a sustainable manner, most likely. I explain why I say that.*

*Grattan's records show that when Mrs M began account 1, her total balances on her other active accounts totalled over £10,000. By January 2017 that had risen to over £21,000. Grattan had found reason, in December 2014, to reduce Mrs M's credit limit. In January 2017 Mrs M's credit limit on account 1 was returned to £500 and Mrs M's credit limit on account 2 was increased to £300. In themselves these increases were modest in nature. But I think they need to be seen in the context of Mrs M's wider borrowing. And Mrs M had a history of increasing her balance when the credit limit was increased. And when the balances on the two accounts grew, Mrs M was unable to make much progress in reducing the balance when it had grown. Then in February 2017, May 2017 and August 2017 Mrs M missed payments on Account 1.*

*The pattern of lending seemed to show that the higher the credit limit the higher Mrs M made her balance. And from February 2017 on account 1, Mrs M missed three payments in seven months. And so, the pattern of lending could also have suggested to Grattan Plc that with a lower credit limit Mrs M was able to manage her account well. But the higher credit limits led Mrs M to raise her balance to a level where she couldn't afford to make the repayments fully on time.*

*Grattan Plc chose to take no action to reduce Mrs M's credit at this time. Instead, after two missed payments in February and May, they increased account 2 to £500 in July 2017 and subsequently offered Mrs M two further accounts.*

*So, it is my view currently that Grattan Plc should reasonably have seen that further lending was likely unsustainable, or otherwise harmful, and it shouldn't have further increased Mrs M's credit limit after May 2017, the date of the second missed payment on Mrs M's account 1. I also think there was a significant risk that further increases to her credit could have led to her indebtedness increasing unsustainably, such that she had no funds available to meet her regular outgoings.*

*It follows that I think that Mrs M lost out because Grattan Plc provided her with further credit from May 2017 onwards. In my view, Grattan Plc's actions unfairly prolonged Mrs M's*

*indebtedness by allowing her to use credit she couldn't afford over an extended period of time and the interest being added would only have the effect of putting her into further debt.*

*It follows that Grattan Plc should put things right.*

**Putting things right – what Grattan Plc needs to do**

- *Rework Mrs M's accounts to ensure that from 17 May 2017 onwards interest is only charged on balances up to the total credit limit of £500 on account 1 and £300 on account 2, including any buy now pay later interest, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. And accounts 3 and 4 should not have been started at all. All late payment and over limit fees should also be removed; and*
- *If an outstanding balance remains on the accounts once these adjustments have been made Grattan Plc should contact Mrs M to arrange an affordable repayment plan for these accounts. Once Mrs M has repaid the outstanding balance, it should remove any adverse information recorded on Mrs M's credit file from 17 May 2017 onwards for each account.*

OR

- *If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs M, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Grattan Plc should also remove any adverse information from Mrs M's credit file from 17 May 2017 onwards.†*

*†HM Revenue & Customs requires Grattan Plc to take off tax from this interest. Grattan Plc must give Mrs M a certificate showing how much tax it's taken off if she asks for one.*

*This is a similar outcome and suggested redress to the offer that has already been made by Grattan Plc."*

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 15 August 2022. Grattan Plc has not acknowledged receipt of the provisional decision. And at the time of writing, they have not made any further submissions or made a request for a time extension to do so. This is not surprising as, in essence, my provisional decision was a very similar outcome to the offer they had already made during our consideration of this complaint. I think that Grattan Plc have had sufficient time to make substantive further submissions if they had wished to.

Mrs M accepted the decision. So, I am proceeding to my 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.

Given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for upholding Mrs M's complaint, I have nothing further to add.

**Putting things right**

Grattan Plc should put things right as expressed in my provisional decision 1 August 2022 and detailed above.

**My final decision**

For the reasons set out, I'm partially upholding Mrs M's complaint. Grattan Plc should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 16 September 2022.

Douglas Sayers  
**Ombudsman**