

## **The complaint**

Mr S says J D Williams & Company Limited (“J D Williams”) irresponsibly lent to him. He has requested that the interest and late payment charges he paid on his account be refunded.

## **What happened**

This complaint is about a catalogue shopping account provided by J D Williams to Mr S. The account was opened in July 2018 with Mr S being given an initial credit limit of £125. This limit was increased eight times until it reached £2,400 in February 2021.

Mr S says he’s unhappy that J D Williams continued to increase his credit limit and didn’t make proper checks to find out if he was in financial difficulties.

J D Williams says it carried out enough checks when it agreed to give Mr S his account and also each time it increased his credit limit.

Our adjudicator partially upheld Mr S’s complaint and thought that J D Williams ought to have realised that Mr S wasn’t in a position to sustainably repay any further credit on his account by the time it offered Mr S the increased credit limit for the sixth time, in August 2019. J D Williams has said it will accept our adjudicator’s view but Mr S remains unhappy with the finding, saying he wants a better breakdown of how his redress has been calculated.

The complaint has therefore been passed to me.

## **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.

J D Williams 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 Mr S 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 and the Mr S’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 J D Williams should fairly and reasonably have done more to establish that any lending was sustainable for the Mr S. 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 thought that the checks J D Williams carried out at the time it opened the account didn't show or suggest irresponsible lending by J D Williams. He also thought that for the first three credit limit increases, up to December 2018, there wasn't enough to show that J D Williams shouldn't have increased his credit limit on each of those occasions. However, he considered that by December 2018, when Mr S was borrowing more by way of revolving credit, J D Williams ought to have asked Mr S about his income, daily expenses and monthly outgoings. But overall, our adjudicator thought that there wasn't enough to show that Mr S was having financial difficulty to the extent that J D Williams shouldn't have increased his credit limit at that point. Similarly, taking into consideration that Mr S had underpaid on his account in January 2019, our adjudicator thought that J D Williams ought to have again looked into Mr S's financial situation before giving him a credit limit increase in February 2019. Based on the information Mr S gave us and having seen his credit file, I agree it's unlikely that better information would have led to J D Williams changing its mind up to this point.

Our adjudicator went on to set out why, by August 2019 when Mr S's credit limit was increased for the sixth time within 12 months, he thought J D Williams shouldn't have provided Mr S with any additional credit. This is supported by Mr S having made an underpayment and having failed to make minimum payments on at least two occasions since he'd opened the account. It follows that I agree with our adjudicator that a point was reached by August 2019 when J D Williams increased Mr S's total credit limit to £1,250, which ought to have prompted J D Williams to realise further credit as likely to be unaffordable or otherwise harmful to Mr S. I therefore think J D Williams ought to have realised there was a real risk that increasing Mr S's credit limit in these circumstances would lead to his indebtedness increasing unsustainably.

It follows that I think that Mr S lost out because J D Williams provided him with further credit from August 2019 onwards.

### ***Is J D Williams paying the correct redress to Mr S?***

I've set out below in the redress section of this decision details of how we expect redress to be paid. This reflects our general approach when requiring businesses to pay redress in cases like these.

Mr S is unhappy with details about the compensation that J D Williams will be paying. He would like more detail about how interest was calculated. I've reviewed the correspondence, including the information J D Williams has provided to our adjudicator. I've also seen a breakdown showing the interest and late payment charges that J D Williams intended to refund to Mr S. Our adjudicator has explained the calculation to Mr S and provided him with

details. J D Williams has confirmed it has provided the relevant details relating to the calculation and has said that the calculations are produced by its own system rather than manually. I understand that the redress payment, totalling £498.43, has now been made by way of an adjustment to Mr S's account balance.

I consider the point at which our adjudicator found that the complaint should be upheld from is correct and that J D Williams has provided us with enough detail about its redress calculation. I therefore don't require it do anything more, beyond ensuring that all compensation has been paid in accordance with the 'Putting things right' section below.

### **Putting things right – what J D Williams needs to do**

- Rework Mr S's account to ensure that from August 2019 onwards interest is only charged on balances up to the total credit limit of £1,000, 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. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made J D Williams should contact Mr S to arrange an affordable repayment plan for this account. Once Mr S has repaid the outstanding balance, it should remove any adverse information recorded on Mr S's credit file from August 2019 onwards.

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 Mr S, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. J D Williams should also remove any adverse information from Mr S's credit file from August 2019 onwards.†

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

### **My final decision**

For the reasons set out, I'm partially upholding Mr S's complaint. J D Williams & Company Limited should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 February 2023.

Michael Goldberg  
**Ombudsman**