

The complaint

Miss B complains about the handling of a credit limit provided to her by J D Williams & Company Limited trading as Fashion World.

What happened

Miss B applied for credit and was given a £150 credit limit with Fashion World. She ordered goods for next day delivery as she needed some of the goods for an imminent wedding. Her order was initially accepted, but as the delivery didn't arrive, she checked back with Fashion World and was told the limit and her order had been cancelled. She raised a complaint in view of the lack of communication and the inconvenience of having to source the items at short notice elsewhere.

Fashion World has said the terms and conditions which Miss B will have had to read, make it clear the limit agreed was based on provisional checks and a full assessment would be carried out on the first order. It rejected her complaint.

Miss B was unhappy with Fashion World's response, so she referred her complaint to us. One of our investigators looked into the complaint. She agreed with Fashion World that the limit agreed was provisional. She agreed that the process could have been made clearer for Miss B, but that Fashion World had followed its process. Our investigator didn't uphold Miss B's complaint.

Miss B didn't agree with our investigator. She said she understood Fashion World might have followed its process, but it was very poorly explained and not communicated to her. She said she was inconvenienced and was unaware the business would be completing further checks. As there was no agreement, the complaint has been passed to me for 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.

Having done so, I didn't agree with our investigator. I issued a provisional decision saying:

"The rules that govern our service are set out in the Handbook of the industry regulator, the Financial Conduct Authority, specifically in the Dispute Resolution section (DISP). Under DISP 3.6, I'm required to consider complaints on the basis of what I consider to be fair and reasonable in the circumstances. In other words, while I have regard to the law, regulations and terms and conditions of accounts etc. I'm not necessarily bound by them. And I think that's the crux here; I don't think Fashion World has treated Miss B fairly in the circumstances. Let me explain why.

There is no dispute that Fashion World is entitled to choose who it wishes to accept for its credit products or that it may review limits agreed. That is for its own judgement and not something I can interfere with. But it must treat its customers fairly when assessing, offering

and reviewing applications and offers of credit.

Miss B applied for a credit limit with Fashion World and was told a limit of £150 was agreed. She received an email welcoming her as a customer saying “your Fashion World credit account is ready for you to use. This means you can now shop interest free for the first 6 months”. There is no mention of the limit being agreed on a provisional basis, or that it would be reassessed on her first order.

The email said the interest free promotion was subject to Miss B adhering to the terms and conditions of the account. I asked Fashion World to provide those terms (it had told our investigator they were provided on its website, but I wanted to ensure we were looking at the right ones). I’ve carefully read them and can see no mention of the limit being agreed on a provisional basis or that it would be reviewed on the first order. I’ve seen that they allow for the limit to be varied in certain circumstances, but I can’t see they apply in this case or that they ought to have put Miss B on notice that her limit was provisional.

Fashion World has pointed to a “Frequently Asked Question” (FAQ) which can be found on its website entitled “Why was my first order cancelled and credit limit removed?”. There was a link to the FAQ’s on Miss B’s welcome email. The FAQ sets out the true position that the limit was agreed provisionally and would be reviewed. But Miss B had no reason to refer to the FAQ’s – especially the one highlighted – until after her order had been cancelled.

After having the limit agreed, Miss B placed an order for items totalling £67.99 – less than half the credit limit agreed. The order was accepted and she received an email confirming it which said, “Orders are subject to stock availability and approval.” Given Miss B had been told she had a credit limit of £150, I think she had no reason to believe this meant anything other than Fashion World would check its stock and ensure items were approved for shipping. I can’t see that this ought to have put her on notice that the limit she’d been given was subject to further approval.

I’ve seen nothing which suggests Miss B ought to have been aware the limit – and therefore the order – was subject to further review and could be cancelled. She only discovered it had been when she contacted Fashion World to ask why the items hadn’t been delivered.

Miss B was told her credit limit was agreed and ready for use on Wednesday 8 June 2022 and she placed an order on that day. Fashion World says it sent Miss B an email on Friday 10 June 2022 to explain the limit and order had been cancelled. This is after delivery had been due and left her with very little time to obtain the items she wanted for the wedding that weekend.

So in summary, Miss B ordered some items in good faith that were required quickly. Fashion World accepted the order, but later changed its mind. Miss B had received no indication I can see prior to the order, that it may be unsuccessful.

I’ve explained I need to assess the complaint based on what I feel is fair and reasonable; I don’t think Miss B has been treated fairly by Fashion World as she had no notice prior to placing the order that the limit would be reviewed, and her order could be cancelled. As a result, she suffered the distress of finding out the limit had been cancelled and the inconvenience of finding replacement items at short notice. I think Fashion World should pay Miss B £100 in compensation for the distress and inconvenience she suffered.”

Both Miss B and Fashion World have accepted my provisional decision, so I see no reason to depart from it.

My final decision

I uphold this complaint. J D Williams & Company Limited trading as Fashion World should pay Miss B £100 compensation for the distress and inconvenience it has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 March 2023.

Richard Hale

Ombudsman