DRN-4702571

Complaint

Miss A has complained that J D Williams & Company Limited ("J D Williams") irresponsibly provided her with a catalogue shopping account which it then increased her credit limit on when she had only made minimum repayments.

Background

This complaint is about a catalogue shopping account J D Williams initially provided to Miss A in June 2016. Miss A was initially given a credit limit of £200. This limit was then increased on seven occasions at the following times:

August 2016 - £300
September 2016 - £500
October 2016 - £700
November 2016 - £1,000.00
January 2017 - £1,250.00
July 2017 - £1,750.00
August 2018 - £2,250.00

When it investigated Miss A's complaint, J D Williams accepted that it should not have offered to increase Miss A's credit limit from July 2017 onwards. As a result it agreed to refund all of the interest, fees and charges that Miss A paid on balances over the £1,250.00 credit limit she was given in January 2017.

This is in line with the award we'd typically make if we were to uphold a complaint on this basis. As a result we've not looked into Miss A's complaint about her final two limit increases and we've only solely considered J D Williams' decision to provide Miss A with a catalogue shopping account in the first place and the first five limit increases.

One of our investigators looked at everything provided and did not think that proportionate checks would have shown J D Williams that it shouldn't have provided Miss A with a catalogue shopping account or the limit increases up until January 2017. So she thought that what J D Williams had already agreed to do for Miss A was fair and reasonable in the circumstances and didn't think that the complaint should be upheld.

Miss A disagreed with our investigator's conclusions and asked for an ombudsman to review her complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I've decided not to uphold Miss A's complaint. I'll explain why in a little more detail.

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 Miss A 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 J D Williams 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.

I’ve kept all of this in mind when deciding Miss A’s complaint.

Miss A’s account was opened in June 2016 with a credit limit of £200. The catalogue shopping account J D Williams provided Miss A with was a revolving credit facility. This meant that J D Williams was required to understand whether Miss A could repay £200 within a reasonable period of time.

J D Williams carried out a credit check before initially agreeing to provide this account. J D Williams has provided the details of the credit check that it carried out which showed that Miss A didn’t have any recent significant adverse information such as defaulted accounts or County Court Judgments (“CCJ”) recorded against her. And that she only had a single active credit account at the time.

I accept that Miss A disputes this. And she has provided evidence of having previous difficulties with making payments to credit. But as far as I can see Miss A’s difficulties were historic. The evidence provided indicates that Miss A had significant problems between 2010 and 2014 which was at least a couple of years prior to when this account was provided.

In any event, what is important to note is that a credit limit of £200 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time. And I’ve not been provided with any clear evidence to show that Miss A circumstances were such that I could reasonably conclude that she didn’t have the funds to make the very low monthly payment required for this.

As this is the case, I'm satisfied that it wasn't unreasonable for J D Williams to have agreed to this account. And I find that J D Williams didn't treat Miss A unfairly when it initially opened Miss A's account with a credit limit of £200 in June 2016.

As I've explained in the background section of this decision, J D Williams increased Miss A's credit limit on seven occasions until it eventually reached £2,250.00 in August 2018. I've also already explained why I'm only looking at the first five of these limit increases. I'll now proceed to set out my thoughts on these increases.

Most of these limit increases were modest, so I wouldn't have expected J D Williams to have done too much more for the first three increases than it did when determining whether to initially provide the account. I say this particularly as the payments Miss A made in this period were above the minimum she was required to pay and there is even an argument for saying that the amount of some of the increases was not significant. So, for much the same reasons, my findings in relation to these limit increases are the same as those for when the account was originally opened.

However, by the time of the fourth limit increase in November 2016, Miss A's credit limit was being increased to £1,000.00. So I would have expected J D Williams to have found out more about Miss A's income and expenditure (particularly about her regular living expenses) before providing this and any further credit limit increases.

As J D Williams has been unable to evidence having done this in this instance, I don't think that the checks it carried out before it provided the November 2016 limit increase and the subsequent ones were reasonable and proportionate.

I've therefore looked at the information Miss A has provided about her circumstances to get an idea of what J D Williams is likely to have learned had it carried out further enquiries into what Miss A paid towards living costs. In particular, I've looked at the current account statements Miss A has provided. In doing so, I accept that Miss A's actual circumstances may not been fully reflected in the information she may have provided. And I've also thought about what Miss A has said about her finances being in a difficult position.

However, the statements provided do show that Miss A was receiving regular funds and when her regular living costs and non-discretionary expenditure is deducted from what she received, Miss A does appear to have enough in funds left over to make the increased repayments needed for the limit increases offered.

Furthermore, while I've thought about what Miss A has said about her account usage showing that she was dependent on credit, I don't agree that this was the case. For example, for the duration of the period I've looked at June 2016 to January 2017 Miss A was not using all of the credit available to her on her account.

Therefore, I'm satisfied that Miss A had significant headroom on her existing credit limit at time these increases were offered. In these circumstances, I don't agree that J D Williams increased Miss A's credit limit in circumstances where it ought reasonably to have realised that it was doing so in a way that was unsustainable or otherwise harmful for her.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that J D Williams that it shouldn't have provided this account to Miss A.

As this is the case, I'm satisfied that what J D Williams has already done to put things right for Miss A - refunding all of the interest, fees and charges added to Miss A's balance as a result of the limit increases from July 2017 - is fair and reasonable in all the circumstances. I'm therefore not upholding Miss A's complaint.

I appreciate this will be very disappointing for Miss A – particularly as she feels strongly about this matter as her complaint about the later limit increases has been upheld. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm satisfied that what J D Williams & Company Limited has already offered to do to put things right is fair and reasonable in all the circumstances of Miss A's case. So I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 22 April 2024.

Jeshen Narayanan
Ombudsman