

The complaint

Miss H is unhappy with her catalogue shopping account from Look Again, who is a trading name of Grattan plc.

For the purposes of this decision, I have referred to Grattan throughout as it is accountable for the actions of Look Again.

Miss H complains that Grattan lent irresponsibly when it agreed to open a catalogue shopping account for her and the subsequent credit limit increases which she says were unaffordable for her circumstances.

What happened

Miss H applied for a Look Again catalogue shopping account with Grattan in November 2017 and was given a £100 credit limit. Her credit limit was increased by a further £100 each month between January and April 2018 until it reached £500.

Miss H complained to Grattan in July 2022. She said that Grattan shouldn't have given/increased the credit limits on her catalogue account because she couldn't afford to repay the amounts within a reasonable timescale. She explained at the time she took out the account with Grattan, she had become increasingly indebted after needing to borrow to pay for her late father's funeral. She adds that she wasn't working at the time and wasn't in a financial position to take on more credit.

Grattan says it did check whether the catalogue account and credit limit increases were affordable, and based on those checks, Miss H's credit file and repayment history suggested she wasn't in financial difficulty and could afford the repayments. Unhappy with Grattan's response, Miss H referred her complaint to this service.

Our Investigator considered the complaint. She concluded that with reasonable and proportionate checks, Grattan ought to have found Miss H unable to sustainably afford the catalogue shopping account from the outset. She upheld Miss H's complaint and recommended that Grattan refund the interest and charges to the account and arrange an affordable repayment plan.

Grattan disagreed with the Investigator and because an agreement couldn't be reached, the case has been passed to me to decide. Since issuing her assessment of the complaint, our Investigator asked Miss H for copies of her bank statements covering August 2017 to January 2018 and for a copy of her credit file. Miss H hasn't returned this information so I've reviewed the complaint based on what is available to me.

I issued a provisional decision on 14 March 2024. In summary, I provisionally decided not to uphold Miss H's complaint about Grattan lending irresponsibly.

In my provisional decision I explained that:

'We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss H's complaint. Having thought about all of that, for the reasons below I have reached a different conclusion to the one reached by our investigator.

Grattan needed to take reasonable steps to ensure that it didn't lend to Miss H irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Miss H would be able to repay the maximum available credit in a sustainable way. There is no set list of what reasonable and proportionate checks should look like, rather greater thoroughness might be reasonably expected where a person on a lower level of income may be borrowing a high sum, or taking out borrowing over a longer period which could potentially cost more in the longer term.

Grattan granted Miss H a modest credit limit at £100, which it later increased to £500 in £100 steps over four months between January and April 2018. Grattan did complete some checks to see if the credit limits were affordable.

It explained that part of its checks involved reviewing the applicant's credit file and agreed Miss H's credit limit based on the information it got from the credit reference agency and how she was maintaining payments to her account. The search of Miss H's credit file showed she had defaulted on three accounts in the past, the most recent coming two and half years before her application. The three defaulted accounts, which included a telecoms account and two home shopping (catalogue) accounts, were showing as settled without a balance owing. So, I think the problems Miss H had repaying credit were historic and they shouldn't reasonably prevent Grattan from agreeing to her application for credit (or the later limit increases).

The search of Miss H's credit file does also show, as she has told us, that she had taken out loans and that her total borrowing stood at around £4,500 at the time of applying. The search shows that Miss H was managing to keep up with her monthly repayments and that she was repaying between £250 and £430 a month. Although Miss H says she wasn't working, I've not seen she told Grattan she didn't have an income nor any sign of repayment problems, such as missed or late payments. So, given she could maintain her existing commitments, I think it's fair to say she had an income and it was fair to lend on this basis.

I accept it is not a given that not having repayment problems means Miss H was not having financial difficulties. But the search of Miss H's credit file does not show signs that she possibly was in financial difficulty. There's also nothing to suggest Miss H made Grattan aware of any financial vulnerabilities that could have reasonably prompted Grattan to ask further questions about her circumstances.

When I think about how detailed a look Grattan needed to take into Miss H's finances, given the size of credit limits it was agreeing together with the information it had, I don't think it needed to look further than it did.

I am sorry to hear of the stresses and strain Miss H's financial difficulties may have caused. My findings are in no way meant to diminish her circumstances, but my role is to decide what I think is fair and reasonable in the circumstances to resolve this complaint and I'm unable to say Grattan was wrong to lend to Miss H based on the submissions and evidence available to me.

I note Miss H entered an Individual Voluntary Arrangement (IVA) in October 2018 and that she says that it failed in 2022. As I don't intend to uphold Miss H's complaint, I've not needed to consider this in any detail, noting that Grattan 'charged off' the account when Miss H entered the IVA. I would encourage Grattan to satisfy itself that the IVA did not complete if it

intends to resume collecting on the debt. I also remind Grattan of its obligations to treat Miss H fairly and offer due forbearance should she continue to find herself in financial hardship.'

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 28 March 2024. Neither Miss H nor Grattan has responded to my provisional 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.

I've reviewed everything again. Neither Miss H nor Grattan have provided further evidence or new information for me to consider. So, I've not seen enough for me to alter my provisional conclusions.

In summary, I don't think the information Grattan found in its search of Miss H's credit file ought reasonably to have prevented Grattan from lending to her or prompted further checks, given the size of the credit limits involved and Miss H's ongoing management of the account.

My final decision

For the reasons given above, I do not uphold Miss H's complaint or make an award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 25 April 2024.

Stefan Riedel
Ombudsman