

Complaint

Ms S has effectively complained that J D Williams & Company Limited (trading as “Ambrose Wilson”) irresponsibly provided her with a catalogue shopping account and limit increases despite the fact that they were unaffordable.

Background

Ms S was provided with a catalogue shopping account by Ambrose Wilson, which had a credit limit of £150, in April 2019. Ms S’ credit limit was increased on seven occasions until it reached £1,500.00 in November 2020.

Ms S also complained about a second catalogue shopping account which J D Williams provided to her under a different brand in May 2022. However, J D Williams accepted that it shouldn’t have provided that catalogue shopping account to Ms S and agreed to compensate her in the way that we typically would in circumstances where we had upheld her complaint.

As a result, we’ve not looked at that complaint and this decision is only considering whether J D Williams acted fairly and reasonably when initially providing the Ambrose Wilson account and the associated credit limit increases.

One of our investigators looked at everything provided and didn’t agree that proportionate checks would have shown Ambrose Wilson that it shouldn’t have provided this account or the subsequent credit limit increases to Ms S. So she didn’t think that Ms S’ complaint should be upheld.

Ms S disagreed with our investigator’s conclusions and asked for an ombudsman’s review.

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 Ms 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.

Ambrose Wilson 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 Ms S 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 Ambrose Wilson should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors, are not limited to but, 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 Ms S' complaint.

Ms S' account was opened in April 2019 with a credit limit of £150. The catalogue shopping account Ambrose Wilson provided Ms S with was a revolving credit facility. This meant that Ambrose Wilson was required to understand whether Ms S could repay £150 within a reasonable period of time.

What is important to note is that a credit limit of £150 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time. I appreciate that she might have had previous difficulties with credit in the form of defaults. But the last of them some time before this application took place. So I don't think that the adverse information in itself meant that Ms S shouldn't have been lent to.

Equally, I've not been provided with any clear evidence to show that Ms S circumstances were such that I could reasonably conclude she didn't have the funds to make the low monthly payment required. As this is the case, I'm satisfied that it wasn't unreasonable for Ambrose Wilson to have agreed to this account. And I find that Ambrose Wilson didn't treat Ms S unfairly when it initially opened Ms S' account with a credit limit of £150 in April 2019.

As I've explained in the background section of this decision, Ambrose Wilson subsequently increased Ms S' credit limit on seven occasions until it eventually reached £1,500.00 in November 2020.

The first four limit increases still saw Ms S having a relatively modest credit limit. So I wouldn't have expected Ambrose Wilson to have done too much more for them than it did when determining whether to initially provide the account. And, 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 fifth limit increase in March 2020, Ms S' credit limit was being increased to £1,000.00. So I would have expected Ambrose Wilson to have found out more about Ms S' income and expenditure (particularly about her actual regular living expenses) before providing this and any further credit limit increases.

Ambrose Wilson has been unable to evidence having done this in this instance. As this is the case, I don't think that the checks it carried out before it provided the March 2020 limit increase as well as the subsequent ones in April 2020 and November 2020 were reasonable and proportionate.

Where a firm failed to carry out reasonable and proportionate checks before providing or increasing the amount of credit available to a customer, I need to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

I've looked at what Ms S has provided to get an idea of what Ambrose Wilson would likely have learned had it carried out further checks on Ms S' living expenses. But Ms S hasn't provided us with all of the information we've asked for in order to be able to assess what her circumstances were like at the time she was provided with these limit increases. Without this I'm unable to ascertain whether proportionate checks would have shown J D Williams that Ms S' actual living expenses meant that the limit increases were unaffordable.

Furthermore, bearing in mind the amount of the monthly repayments required and there appear to have been no significant arrears until 2021, I can't reasonably conclude that Ms S' pattern of borrowing ought to have shown J D Williams that the limit increases were demonstrably unaffordable either.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown J D Williams that it shouldn't have provided Ms S with this account or the limit increases. And I'm therefore not upholding Ms S' complaint.

Overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Ambrose Wilson that it shouldn't have provided this account, or any of the subsequent credit increases to Ms S. And I'm therefore not upholding Ms S' complaint. I appreciate this will be very disappointing for Ms S. 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 not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 4 June 2024.

Jeshen Narayanan
Ombudsman