

The complaint and what happened

Mr M complains that JD Williams & Company Limited, trading as Jacamo, gave him a catalogue shopping account and then increased the limit on it when he could not afford it

In August 2018 Jacamo approved a catalogue shopping account for Mr M with a limit of £200. It then increased the credit limit on the account eleven times until it reached £3,500 in March 2023. It would appear that the account is currently up-to-date. I've set out the increases below for simplicity:

Event	Date	New limit
Account opened	August 2018	£200
1 st limit increase	September 2018	£300
2 nd limit increase	October 2018	£400
3 rd limit increase	November 2018	£600
4 th limit increase	December 2018	£900
5 th limit increase	1 January 2019	£1,000
6 th limit increase	29 January 2019	£1,400
7 th limit increase	April 2019	£2,000
8 th limit increase	March 2020	£2,250
9 th limit increase	August 2020	£2,500
10 th limit increase	August 2021	£3,000
11 th limit increase	March 2023	£3,500

Mr M complained to Jacamo but it didn't accept it had done anything wrong in lending to him. One of our investigators looked at the evidence and thought that Jacamo hadn't done anything significantly wrong. Mr M didn't accept that and asked that the case be passed to an Ombudsman for review.

I've included relevant sections of my provisional decision from April 2024, which form part of this final decision. In my provisional decision I set out the reasons why I was planning to find that from August 2021, Jacamo should not have increased Mr M's credit limit any further. In brief that was because I thought that Jacamo's checks didn't go far enough, and proportionate checks would have shown that Mr M was struggling with debt and could not afford any more.

I asked both parties to let me have any more information they wanted me to consider. Jacamo accepted my decision, and Mr M provided more evidence, which I will respond to.

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'm upholding it in part, for the key reason set out above, but I've also included here the relevant sections of my provisional decision:

“What I’ve provisionally 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’m planning to uphold this complaint in part and I’ll explain why.

Jacamo is aware of its obligations under the rules and regulations in place at the time of these lending decisions, including the Consumer Credit Sourcebook (“CONC”), so I won’t repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr M would be able to repay the borrowing it was making available to him in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

“...without...incurring financial difficulties or experiencing significant adverse consequences”

Essentially, Mr M needed to be able to meet all his financial commitments and not have to borrow elsewhere to repay Jacamo for the credit limit to be considered affordable and sustainable.

Did Jacamo carry out proportionate checks?

Initially, I think that the checks Jacamo did were reasonable and proportionate. The initial account credit limit was very modest, and over the course of the first couple of years of this lending relationship, there was nothing in the way that Mr M managed his account that ought to have led Jacamo to think there may be any concerns about affordability for him. So that means there was nothing that ought to have led it to ask further questions.

Jacamo carried out a high-level credit check, essentially apparently its standard monthly monitoring activity, before increasing Mr M’s credit limit each time. But by the time of the 10th credit limit increase (CLI) in August 2021, Jacamo’s own supervision and management of this account should have led it to ask more questions before making any more borrowing available to Mr M.

I say that because, by that point, a clear and sustained pattern was in place of Mr M’s actual credit limit being higher than that which Jacamo’s assessment identified as being the most it should lend him (the “shadow limit”). Essentially, that means that Jacamo was lending Mr M more than its system thought it should be, based on account conduct and credit checks.

This first happened in October 2019, but instances were short-lived in 2019 and most of 2020. However, from December 2020, that was the situation for eight consecutive months. Indeed in March and April 2021, the system appeared to be indicating that Jacamo should not be providing Mr M with any credit at all. Whilst the basis of Jacamo’s assessment isn’t entirely clear, I can see that this period of time is also characterised by Mr M missing payments, and on one occasion only paying half what was required.

So, by August 2021, there were multiple recent flags of a potential affordability risk for Mr M, and Jacamo needed to carry out more in-depth checks in order for them to be proportionate to the lending decision at hand.

What would Jacamo have found had it done proportionate checks?

When considering this second question, our service has had the benefit of several months of bank statements from the first half of 2021 to review. I accept that there was and is no requirement on a lender to obtain any particular type of information: they are permitted to source and rely on a range of evidence when assessing affordability, and so Jacamo could have opted to gather more information about Mr M's financial position in a range of ways. However, it didn't, and, in the absence of anything else provided, I'm happy to rely on the statements to demonstrate what Jacamo would most likely have discovered if it had completed proportionate checks.

The relevant statements contain a lot of transactions, debits and credits, but ultimately show several key facts when thinking about financial health, and whether Mr M could afford to take on additional borrowing. Those are that:

- *Mr M was carrying a lot of unsecured debt, and was using multiple high cost short term lenders.*
- *Mr M was rarely in credit in this current account, and was clearly reliant on a large overdraft, which was at times bigger than his average monthly income.*

In the round, the provisional conclusion I reach on the basis of the evidence available to me is that Mr M was dependent on a large overdraft (which he had no real prospect of repaying, given its size in relation to his income) and carried a fairly large monthly burden in terms of meeting unsecured debt repayments. There is no evidence to suggest he had any disposable income, and it is clear that he would have been using credit (i.e. his overdraft) in order to make repayments to Jacamo. That does not conform with the rules around sustainable and affordable borrowing as set out.

It therefore follows that I don't currently think Jacamo should have increased Mr M's credit limit in August 2021, and I plan to uphold this complaint from that point."

Jacamo has accepted my findings. Mr M has provided bank statements from 2019 and 2020, to demonstrate that he was experiencing financial problems earlier than 2021. I'd like to thank him for taking the time to do that, however, they don't change my findings. As I explained in my provisional decision, I don't think there was anything Jacamo was aware of in 2019 and 2020 which ought to have led it to ask more questions about Mr M's situation. I think the checks it did in those years were enough and didn't raise any significant concerns. So the contents of Mr M's bank statements in 2019 and 2020 aren't relevant because I've got no evidence to show that Jacamo ought to have looked into things more deeply at that point. By August 2021 the situation was different, as set out above.

The further evidence I've received doesn't lead me to alter my findings as set out in my provisional decision. And so it follows that I uphold this complaint in part.

Putting things right

In order to put things right for Mr M, I direct JD Williams & Company Limited to do the following:

- a) Rework the account to remove all interest and charges (including any BNPL interest) incurred on the account since 10 August 2021 on balances exceeding £2,500.
- b) Calculate what Mr M would have owed it if the credit limit had stayed at £2,500.
- c) Apply any and all repayments made by Mr M since 10 August 2021 to that adjusted balance identified in b).
- d) If that calculation means the adjusted balance would have been cleared, Studio must refund any remaining sums to Mr M with 8% simple interest*, calculated from the

date of overpayment to the date of settlement.

*HM Revenue and Customs requires JD Williams & Company Limited to deduct tax from any award of interest. It must give Mr M a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons I've explained, I uphold this complaint in part and direct JD Williams & Company Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 June 2024.

Siobhan McBride

Ombudsman