DRN-4835878

Complaint

Mr R has complained that J D Williams & Company Limited ("J D Williams") irresponsibly provided him with a catalogue shopping account and subsequent credit limits.

Background

This complaint is about a catalogue shopping account J D Williams initially provided to Mr R in November 2021. Mr R was initially given a credit limit of £150. This limit was then increased on seven occasions at the following times:

January 2022 - £300
February 2022 - £400
March 2022 - £700
April 2022 - £1,000.00
June 2022 - £1,400.00
December 2022 - £1,750.00
April 2023 - £2,000.00

Having looked at Mr R's account balances, I can see that he never had a balance which exceeded £1,400.00. Therefore, he in effect, never used the extra credit granted from December 2022 onwards. In these circumstances, Mr R didn't lose out as a result of the credit limit increases from December 2022 and so we've not looked into the complaint about those limit increases.

One of our investigators looked at everything provided and didn't think that proportionate checks would have shown J D Williams that it shouldn't have provided this account or the credit limit increases Mr R utilised. So she didn't think that the complaint should be upheld.

Mr R disagreed with our investigator's conclusions and asked for an ombudsman's review of the 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 Mr R'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 Mr R could afford to repay what he 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 Mr R's complaint.

Mr R's account was opened in November 2021 with a credit limit of £150. The catalogue shopping account J D Williams provided Mr R with was a revolving credit facility. This meant that J D Williams was required to understand whether Mr R could repay £150 within a reasonable period of time.

I understand that J D Williams carried out a credit check before initially agreeing to provide this account. J D Williams carried out credit checks. And those credit checks show that Mr R did have defaulted accounts and a county court judgment ("CCJ") recorded against him. However, the most recent default was approaching six years prior to this application and the CCJ was from over a year before. So I don't think that this previous difficulty meant that Mr R shouldn't have been lent to.

Furthermore, what is important to note is that a credit limit of £150 required low monthly payments in order to clear the full amount owed within a reasonable period of time. I accept that Mr R might have had some adverse information recorded on his credit file at the time. But this in itself does not mean that this credit limit was unaffordable. And I've not been provided with any clear evidence to show that Mr R circumstances were such that I could reasonably conclude that he didn't have the funds to make the extremely low monthly payment required for this credit limit.

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 Mr R unfairly when it initially opened Mr R's account with a credit limit of £150 in July 2021.

As I've explained in the background section of this decision, J D Williams increased Mr R's credit limit on seven occasions until it eventually reached £2,000.00 in April 2023. And I've explained why I'm only looking at the first seven of these increases.

Three of these seven limit increases were modest in that the maximum amount Mr R could owe by the time of limit increase three was £700. I wouldn't have expected J D Williams to have done too much more for these first three increases 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 fourth limit increase in November 2017, Mr R's credit limit was being increased to £1,000.00. So I would have expected J D Williams to have found out more about Mr R's income and expenditure (particularly about his 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 April 2022 limit increase and the subsequent ones were reasonable and proportionate.

Where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount 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. So I've looked at the information Mr R has provided to get an idea of what J D Williams is likely to have learned had it carried out further enquiries into Mr R's living expenses.

In particular, I've looked at the current account statements Mr R has provided. In particular, I've focused on the statements provided for the period between around September 2022 and October 2022. In doing so, I can see that the bank statements provided show that Mr R was receiving regular funds and when his regular living costs and monthly expenditure are deducted from what he received, Mr R does appear to have enough in funds left over to make the increased repayments needed for the limit increases offered.

So I don't think that J D Williams asking Mr R for more information on his living costs would have led it to conclude that the April 2022 and June 2022 credit limit increases were unaffordable.

I do accept that Mr R's actual circumstances at the time were worse than what the information about his living costs shows. For example, having looked at Mr R's bank statements I can see significant gambling. It's also possible – but by no means certain – that J D Williams might have decided against lending to Mr R had it seen this.

But the truth is, given the circumstances here and what J D Williams needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that J D Williams could find out about Mr R's living expenses in the first place.

And proportionate checks certainly wouldn't have gone into the level of granularity whereby J D Williams ought reasonably to have picked up on Mr R's gambling. So I don't think that J D Williams was aware, or that it could reasonably have been aware, of Mr R's gambling – particularly given how he was managing his J D Williams account in the lead up to these limit increases.

Furthermore, as Mr R hasn't utilised the credit limit increases from December 2022 onwards and therefore hasn't suffered a loss, I'm satisfied that J D Williams hasn't treated Mr R unfairly or unreasonably.

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, or any of the subsequent credit increases to Mr R.

In reaching this conclusion I've also considered whether the lending relationship between J D Williams and Mr R might have been unfair to Mr R under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think J D Williams irresponsibly lent to Mr R or otherwise treated him unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr R. But I hope he'll understand the reasons for my decision and that he'll at least feel his 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 Mr R to accept or reject my decision before 26 August 2024.

Jeshen Narayanan
Ombudsman