

The complaint

Miss O complains that J D Williams & Company Limited (“J D Williams”) irresponsibly provided her with a catalogue account. She says this resulted in the relationship between the parties being unfair.

What happened

J D Williams provided Miss O with a catalogue account with a limit of £175 in November 2020. I understand the limit has not been increased.

I also understand the credit facility has now been removed on Miss O’s account although there is still a balance outstanding.

Miss O says J D Williams failed to conduct proportionate checks before lending to her. And this result in an unfair relationship under Section 140A of the Consumer Credit Act 1974. When complaining to J D Williams, she said it didn’t carry out a reasonable assessment of her creditworthiness, as she had late payments, was in excess of credit limits and had defaults. She says she owed around £1,463 (excluding any mortgages) to other creditors at the time of lending. Miss O says the payments required from her weren’t sustainable and the lending unaffordable.

In its final response, J D Williams didn’t uphold Miss O’s complaint. In summary, it said the lending was responsible as the credit limit offered was low and whilst Miss O had some adverse information on her credit report, it was historic. Miss O didn’t accept J D Williams’ response to her complaint and so referred her complaint to our service.

Our Investigator said, in summary, that checks weren’t proportionate due to the recent arrears showing on Miss O’s credit report. And proportionate checks would include checking Miss O’s income. However, they said proportionate checks would likely have shown that Miss O’s income, against the small credit limit being agreed, meant the lending was likely affordable. And the adverse information showing on Miss O’s credit report was either historical or had now been brought up to date.

J D Williams acknowledged the Investigator’s opinion on the matter, but Miss O said she didn’t agree. She said that the Investigator ought to have used her bank statements to check her expenditure as well as her income. In response, the Investigator said that due to the low limit being provided, she didn’t think proportionate checks would extend to checking expenses too.

Because an agreement couldn’t be reached, the complaint has been passed to me to decide on the matter.

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 carefully considered everything provided, I don't uphold Miss O's complaint – and I'll explain why.

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 O's complaint.

J D Williams needed to make sure it didn't lend irresponsibly. It was required to carry out proportionate checks to understand whether Miss O could afford to repay before providing the lending. This means J D Williams needed to take reasonable and proportionate steps to check that making the repayments wouldn't cause Miss O undue difficulty or have adverse consequences.

There aren't set rules about what a proportionate check should include and a proportionate check could look different for different applications.

But we might think the lender needed to do more if, for example, a borrower's income was low, the amount lent was high, or if a borrower would be indebted for a lengthy period of time. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

There may also be other factors which could influence how detailed a proportionate check should be, for example, any borrower vulnerability or foreseeable changes in future circumstances.

When Miss O was provided with the account, J D Williams was required to understand whether she could sustainably repay the full amount it was prepared to lend.

At the time of lending, J D Williams's checks showed:

- Miss O had six active accounts.
- No recorded bankruptcy but she did have a County Court Judgment ("CCJ") recorded against her 39 months before this lending.
- Miss O had one default 44 months prior to this lending.
- Three payments or more were missed on two occasions in the past six months.
- Miss O's worst account status has been four payments in arrears in the past six months.

Whilst I appreciate J D Williams says it does not, as a matter of course, carry out income and expenditure checks, in this instance, based on what it saw about Miss O's credit at the time of lending, I think it ought to have taken its checks further by finding out more about Miss O's financial situation. I say this because, despite the low limit being offered, given Miss O had recent arrears showing on her credit check, this may indicate she was having financial difficulties.

Like our Investigator, I therefore don't think checks were proportionate.

As J D Williams didn't carry out proportionate checks, I've considered what proportionate checks would have likely shown. In other words, what J D Williams is likely to have seen, had it obtained further information about Miss O's financial situation.

Miss O has provided her bank statements for the few months leading up to this lending. It's important to say that J D Williams wasn't specifically required to check Miss O's bank statements before lending to her. Instead, it needed to take reasonable steps to obtain

information about Miss O's income. But in the absence of this, I've relied on Miss O's statements to recreate what proportionate checks would have likely revealed.

I can see from the statements provided that Miss O's net income, for the few months in the lead up to the lending, ranged from around £2,200 to £2,700 per month. Taking this against the low limit J D Williams was proposing to lend, as our Investigator said, checks would have gone far enough by obtaining information about Miss O's income. And what it found would have suggested the lending was likely affordable.

However, even if I were to say that J D Williams also ought to have gone further and checked Miss O's committed living expenses, after reviewing Miss O's statements and deducting her committed living expenses from her income, I can see she had a sizeable disposable monthly income. It was apparent from Miss O's bank statements that she was making transfers to and from another bank account. There also weren't any housing costs showing in Miss O's transactions. Despite requesting statements for Miss O's other account and asking what her housing costs were, she hasn't provided this information. Therefore, I've based my decision on the information we do have. And I'm satisfied, had J D Williams obtained further information about Miss O's circumstances, I think it would have likely found the lending affordable.

Miss O has provided a copy of her own credit report. She says she had more adverse credit compared to what J D Williams' checks revealed at the time of lending. There are various reasons why Miss O's credit report may differ to what J D Williams saw – there are three Credit Reference Agencies (CRAs), lenders aren't obliged to report to all three, nor to rely on all three for lending checks. And there can be delays in credit bureau information being updated. I've seen evidence of J D Williams' checks and there is nothing to indicate that it shouldn't have relied on the information it saw. I'm satisfied therefore it can rely on the information it found at the time.

Overall, had J D Williams carried out proportionate checks, I'm satisfied it would have found the lending was affordable. And in the circumstances of this case, it wasn't wrong for J D Williams to have lent to Miss O.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think J D Williams lent irresponsibly to Miss O or otherwise treated her unfairly in relation to this matter. There don't appear to have been any obvious issues in how Miss O has managed her account and there isn't any indication that she notified J D Williams she was having problems paying.

I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 25 November 2025.

Sophie Kyprianou
Ombudsman