complaint

Miss T complains that the amount of credit she had from J D Williams & Company Limited was unaffordable to her.

background

Miss T opened two accounts with JDW in June 2012, with a credit limit of £200 on each. She continued to make purchases on Account S*610 until July 2016. Her credit limits were increased periodically by JDW as follows:

JDW Credit Increases								
Account: S*610			Account: K*500			Total Credit		
Date	From	To	Date	From	To	Date	From	To
5 Sep 2012	£200	£300	20 Dec 2012	£200	£300	5 Sep 2012	£400	£500
3 Oct 2012	£300	£500	13 Apr 2013	£300	£500	3 Oct 2012	£500	£700
31 Oct 2012	£500	£700	11 May 2013	£500	£700	31 Oct 2012	£700	£900
28 Nov 2012	£700	£1,000	8 Jun 2013	£700	£1,000	28 Nov 2012	£900	£1,200
22 Dec 2014	£1,000	£1.600	18 Jul 2013	Zero balance		20 Dec 2012	£1,200	£1,300
6 Jul 2016	£1,600	£2,250	Account Dormant			13 Apr 2013	£1,300	£1,500
						11 May 2013	£1,500	£1,700
						8 Jun 2013	£1,700	£2,000
						***18 Jul 2013**	***£2,000***	***£1,000***
						22 Dec 2014	£1,000	£1.600
						6 Jul 2016	£1,600	£2,250

***** Miss T did not use account K*500 after 18 Jul 2013***

Miss T's representative says further lending should not have been facilitated as the repayments were unaffordable based on her income and expenditure and her debt with other lenders. It says Miss T had a history of late or missed payments and that JDW did not carry out appropriate checks of her financial history.

JDW says it assessed Miss T's credit limit increases using information from credit reference agencies. It says she initially had a very small account limit which increased over time based on how Miss T managed her account. It says her payment record indicated she was able to maintain her payments. JDW adds that when Miss T contacted it to advise of her financial difficulties, it agreed a payment plan with a debt management charity and froze the interest charges. It says the account was passed to a third-party debt collector in January 2018.

Our adjudicator recommended the complaint should be upheld. She wasn't satisfied that JDW's checks were good enough but didn't have enough evidence to show what better checks would have shown for the credit increases on account S*610 in 2012 and 2013. However, by December 2014 she considered JDW should reasonably have realised that further lending was likely to have been unsustainable and that account S*610 was now unsuitable for her.

Our adjudicator said JDW should:

- Remove any interest and charges (including delivery costs and insurance premiums) added to the account since 22 December 2014;
- Calculate how much Miss T owed after the above adjustments and any repayments she's made since this date should reduce the adjusted balance;
    - If this clears the adjusted balance any funds remaining should be refunded to Miss T with 8% simple interest - calculated from the date of overpayment to settlement date;
    - If an outstanding balance remains, JDW should look to set up a suitable payment plan with her for the outstanding amount.
- Remove any negative information about the account from Miss T's credit file from 22 December 2014 onwards once the amount owed has been settled;
- As the account was passed to a third party, JDW may need to liaise with them to ensure the above is carried out.

Miss T responded to say, in summary, that she was experiencing financial difficulties from 2012 and forwarded bank statements from this time as evidence of such.

JDW said its strategy ensured it was acting in Miss T's best interests by giving her a very small credit limit initially which was only increased by a modest amount each time based on her management of her account. It said that after the small initial increases, Miss T's credit limit on account S*610 was not increased again for 27 months. JDW said Miss T's payment record showed she was spending in line with her circumstances and affordability and her balance did not go much above £1,000 at any time. It adds that it used internal data as well as external credit reference agencies to assess each credit limit increase and her credit file showed no negative information.

JDW also says that Miss T's payments were on time for the first 45 months (with one exception) and were often above the minimum required. It maintains that the checks it carried out were proportionate to the level of credit being provided and that Miss T only used up to 54% of the credit limit.

The complaint has now come to me to review and resolve. To be clear, I am only considering whether or not JDW ought to have increased the credit limits on Miss T's accounts, not whether the accounts should have been opened in the first place and an initial credit limit agreed.

My provisional findings

I issued a provisional decision to Miss T and to JDW on 3 March 2021. I wasn't satisfied that JDW completed appropriate and proportionate checks because:

- I saw no evidence that JDW asked Miss T about her income or expenditure;
- Miss T's credit limit increased by a factor of five – from £400 in June 2012 to £2,000 in June 2013 and then more than doubled from December 2014 to July 2016;
- JDW's credit check showed a 2009 default and evidence of some late payments;
- Miss T's payment history showed she was often paying the minimum repayments and was sometimes late in paying;
- JDW says it used credit checks and account management information to make credit limit decisions but didn't mention Miss T's income or expenditure was considered.

I then considered what JDW was likely to have found had it carried out proportionate checks.

September 2012 to June 2013

Miss T provided a bank statement from December 2012 which I considered could be used as a reasonable proxy for what better checks may have shown in the first year.

Based on the information I had, I thought it likely, that, even with better checks, JDW would have considered the credit limits to be affordable to Miss T from September 2012 to June 2013. So I couldn't conclude JDW was wrong to approve the credit limit increases it did.

December 2012 to December 2014

Miss T's accounts were well-managed from December 2012 to May 2014 and her balance reduced to around £80 by May 2014. However, it then increased to £270 by the end of 2014, at which point JDW increased Miss T's credit limit from £1,000 to £1,600. As before, I wasn't satisfied JDW had carried out proportionate checks, so I looked at bank statements from the time. Miss T also provided evidence of a debt management plan from November 2014.

I thought proportionate checks would have indicated Miss T was struggling to manage her money and that JDW was irresponsible to have increased her credit limit at that time. Indeed, I found that the checks would have shown JDW that it should not have allowed further purchases on credit and that it should have frozen Miss T's account at that point.

January 2015 to July 2016

By December 2015 Miss T's balance had increased to £800 as she continued to make minimum repayments. She then missed payments in December 2015, January 2016 and February 2016 and incurred late payment fees as a result. Although she then made a payment, further late fees were charged in April and May 2016, and the balance was almost £900 when JDW increased her credit limit from £1,600 to £2,250 in July 2016.

Based on Miss T's management of her account, I considered JDW should have realised, or ought reasonably to have realised, that Miss T was already struggling to manage her money and it was irresponsible to extend her further credit in July 2016.

So I couldn't conclude JDW was wrong to increase Miss T's credit limit to June 2013. But I found it was irresponsible to have increased her limit in December 2014 and July 2016. Also, I considered it likely proportionate checks in December 2014 would have found Miss T was struggling to manage her money and shouldn't have been allowed further credit purchases.

Neither JDW, nor Miss T, responded to my provisional decision.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I need to take into account the relevant rules, guidance and good industry practice as outlined in my provisional decision.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

my final decision

My decision is that J D Williams & Company Limited should:

- Remove all interest and charges – including delivery fees and insurance premiums (should there be any) – added to the account since December 2014;
- Calculate how much Miss T would have owed after the above adjustments with any repayments since this date being used to reduce the adjusted balance;
  - If this clears the adjusted balance any excess should be refunded to Miss T with 8% simple interest* - calculated from payment date to settlement date;
  - If a balance remains, JDW should aim to agree an affordable repayment plan;
- Remove any negative information about the account from Miss T's credit file from 22 December 2014 onwards once the amount owed has been settled;
- Liaise with the third-party debt collection agency to ensure the above happens.

*HM Revenue & Customs requires JDW to take off tax from this interest. JDW must give Miss T a certificate showing how much tax it's taken off if she asks for one. If JDW intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 22 April 2021.

Amanda Williams
ombudsman