

The complaint

Miss B complains that J D Williams & Company Limited trading as Simply Be irresponsibly increased the credit limit on her mail order account so she couldn't afford the repayments. She also complains about the way it dealt with her account after she complained

What happened

Simply Be provided Miss B with a mail order credit account on 4 June 2016. The initial credit limit was £125. This was then increased/decreased as follows:

28/08/2016 £125 - £200

18/05/2017 £200- 0

04/08/2017 £0 - £200

26/08/2017 £200 - £300

23/09/2017 £300 - £500

21/10/2017 £500 - £800

18/11/2017 £800 - £1,200

10/02/2018 £1,200 - £1,500

Miss B struggled to keep up with the card payments and complained in February 2021 that the card increases had been unaffordable for her and that it had put her into further debt.

Simply Be said that it provided credit in instalments. It assessed that Miss B could be provided with a credit limit of up to £1,500, but initially decided that a £125 limit was appropriate. It increased this to £200 in August 2016. After Miss B missed three payments, it reduced the limit to £0 in May 2017. At Miss B's request it reinstated the £200 limit in August 2017. The limit was then increased several times until February 2018 when it reached £1,500. Simply Be initially said that all the increases were applied using several sources of information, which included information provided by a Credit Reference Agency. So it said that the increases were responsibly applied.

Subsequently Miss B referred her complaint to the Financial Ombudsman Service in July 2021. Whilst the complaint was still being dealt with, Simply Be sold the debt to a third party (L) in February 2022. Miss B complained about this, and L arranged for the debt to be sold back to Simply Be, as it had been informed the debt wasn't in dispute.

Miss B then received a letter from another third party company (C) concerning a different account debt which had been sold to that company in 2012. This caused some confusion, but the result was that it prompted Simply Be to review this matter again. It decided to uphold Miss B's complaint regarding the credit limit increase in August 2017. This was on the basis that the increase had been applied when the account "*had been in arrears for*

consecutive months in the months prior.” Because of this, it said that it was evident this credit limit increase was not in Miss B’s best interests. It refunded the interest and administration charges applied on the account from that date. This effectively meant that the whole balance on the account at that time, £1,454.12 was paid out to Miss B, together with a further £68.78.

Miss B didn’t accept that that resolved the matter, pointing out that she had been making regular payments towards the balance. She was also unhappy at the way Simply Be had acted in respect of selling the debt to L and with her being chased by C with regard to the other account which had long since been statute-barred. Her complaint against C has been dealt with separately.

I issued a provisional decision. In it I said that Simply Be should rework the account so that the increases after the original reinstatement of the credit limit should only be applied from September 2017. It also said it should pay Miss B £100 compensation for the way it had dealt with the account after the complaint.

Both parties accepted my provisional decision.

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.

My provisional findings are set out below in italics:

“Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what’s fair and reasonable in the circumstances of this complaint are:

- *Did Simply Be complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay the credit advanced in a sustainable way?*
- *If not, would those checks have shown that Miss B would have been able to do so?*
- *Bearing in mind the circumstances at the time of each application, was there a point where Simply Be ought reasonably to have realised it was increasing Miss B’s indebtedness in a way that was unsustainable or otherwise harmful and so shouldn’t have provided further credit?*

credit limit increases

Simply Be has explained that the account was effectively designed to provide gradual increases in the credit limit so long as it remained well maintained, and Miss B’s external credit score was satisfactory. The account history shows the account was regularly reviewed and if eligible an increase was applied. However in this case Miss B’s account wasn’t well maintained in that she missed three payments in March, April, and May 2017. Simply Be recognised this when it upheld Miss B’s complaint on the basis that it shouldn’t have increased the credit limit when the account had been increased for consecutive months.

I haven’t seen any of Simply Be’s guidelines concerning when it will increase/ reinstate the credit limit when the account has been in arrears e.g. how many months is it appropriate to wait before increasing the limit again. Simply Be has provided to us a copy of a credit report on Miss B dated March 2021. It does show historic balances on Miss B’s accounts. She missed the three payments referred to, but then kept the account in good order until at least

February 2021. It also appears that during this period she kept her other accounts in good order.

I think that Simply Be shouldn't have reinstated the credit limit when it did, on the basis that it has already accepted that it shouldn't have been increased in August 2018. I think Simply Be fairly increased the limit after that, from September 2017. This does however have a knock-on effect in that the limit should only have been reinstated in September 2017. This means that the credit limit should have been increased as follows:

23/09/2017 0 - £200

21/10/2017 £200 - £300

18/11/2017 £300 - £500

10/02/2018 £500 - £800

Simply Be has already provided a refund. I am planning to direct that it should recalculate that and if the balance exceeded the new credit limits as set out above refund any interest and charges applied above those limits.

dealings with the account after the complaint

Simply Be clearly shouldn't have sold the account to L in February 2022. L made it clear to Miss B that the account was sold to it on the basis that there wasn't any dispute over it. I note that L did pay Miss B £50 in respect of this. However the effect of this was that Miss B has been caused additional anxiety and inconvenience – she found her account was closed down and had nowhere to pay the payments she had been making.

I also think that Simply Be's belated review of the matter after which it agreed that the credit limit increase applied in August 2017 was irresponsible delayed the matter further.

I am planning to direct that it pay Miss B compensation of £100.

dealings with C

It appears that C contacted Miss B out of the blue. This related to another account, and though I can see it caused some confusion I can't see that Simply Be was responsible for this. I note in any event the complaint about C has been dealt with separately. I am planning not to uphold this part of the complaint."

As both parties have accepted my provisional findings, those findings are now final and form part of this final decision.

Putting things right

As I don't think Simply Be should have increased Miss B's credit limit above the limits I've set out above, namely £300 in October 2017, £500 in November 2017 and £800 in February 2018, I don't think it's fair for it to charge any interest or charges on any balances which exceeded those limits at the relevant time. However, Miss B has had the benefit of all the money she spent on the account so I think she should pay this back. Therefore, Simply Be should take the following actions:

- Rework the account removing all interest and charges that have been applied to the above balances.

- If the rework results in a credit balance, taking into account the refund already made, this should be refunded to Miss B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Simply Be should also remove all adverse information recorded after 10 February 2018 regarding this account from Miss B's credit file.
- If Simply Be has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.
- Simply Be should also pay Miss B £100 compensation for the anxiety and inconvenience caused.

*HM Revenue & Customs requires Simply Be to deduct tax from any award of interest. It must give Miss B a certificate showing how much tax has been taken off if he/she 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

I uphold the complaint and require J D Williams & Company Limited trading as Simply Be to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 2 January 2023.

Ray Lawley
Ombudsman