

The complaint

Mrs D complains that JD Williams & Company Limited, trading as Simply Be, lent her a catalogue shopping account irresponsibly.

What happened

Mrs D took out a catalogue shopping account with Simply Be in March 2017. The initial credit limit was £200. The credit limit was increased several times as follows:

- June 2017 - £300
- July 2017 - £500
- July 2017 - £700
- August 2017 - £1,000
- October 2017 - £1,400
- April 2018 - £1,500
- July 2018 - £1,750
- June 2019 - £2,500

The account fell into arrears in 2021, and Simply Be defaulted it and sold it to a debt collector towards the end of that year.

In 2023, Mrs D complained via a professional representative that the catalogue shopping account had been unaffordable for her. In its final response, Simply Be said it thought it had acted fairly in offering the account and each credit limit increase. It said it had considered the conduct of Mrs D's account, along with information from credit reference agencies.

Mrs D wasn't happy with Simply Be's response, so she referred her complaint to our service. One of our Investigators looked into the complaint. He asked Mrs D for her bank statements in the months prior to her taking out the account and each credit limit increase, but he didn't receive them. Our Investigator thought Simply Be should have asked further questions of Mrs D about her income and expenditure, but as he didn't receive the information he requested from her he couldn't say that Simply Be would have found that the account or limit increases weren't affordable for her.

Mrs D didn't agree, so the case comes to me to decide.

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.

Firstly, I do not need to consider whether the complaint was brought within the timescales set by the regulator, as Simply Be has consented to our service considering the complaint. I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Simply Be offered the account it needed to complete reasonable and proportionate checks to satisfy itself that Mrs D would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open ended account, Simply Be also needed to consider whether Mrs D would be able to repay the debt within a reasonable period.

Account opening

Simply Be has explained that prior to offering Mrs D the account, and before offering each of the credit limit increases, it assessed information from a credit reference agency to determine whether or not to lend. It found that the last time an account had been defaulted was almost six years prior. It also found that four of Mrs D's accounts had been at least three months' payments in arrears in the preceding six months, and at least one was six months' payments in arrears the month prior to the application. I think these are indications that Mrs D was experiencing financial stress.

Simply Be has also explained that it takes information from credit reference agencies about customer indebtedness to predict customer affordability. Unfortunately, this information doesn't survive from the date of the account opening, so I do not know what it showed.

Sustainable repayments of around 5% of the initial credit limit of £200 – allowing Mrs D to repay the interest charged and part of the capital if the account were utilised to its limit – would be around £10.

Based on the information it found, I do not think the checks Simply Be conducted were proportionate. I think it should have been prompted to conduct further checks by the information it found about arrears on Mrs D's accounts elsewhere. I think it should have asked her to complete a declaration about her income and expenditure before offering the account.

Our Investigator asked Mrs D for her bank statements for the three months preceding Simply Be's decision to lend, and each time it offered a credit limit. Unfortunately, we haven't received them. So I can't reconstruct what information Mrs D would likely have given to Simply Be had it asked her further questions about her income and expenditure.

Overall, although I do not think Simply Be conducted proportionate checks to satisfy itself the limit of £200 was sustainably affordable for Mrs D, I do not have enough information to reasonably conclude that it would not have reasonably considered that the account would be sustainably affordable had it done so.

Credit limit increases

Simply Be has explained that prior to offering Mrs D each credit limit increase, it assessed information from credit reference agencies as well as the conduct of her account. This information showed that Mrs D had one month of arrears on at least one of her accounts elsewhere on each occasion Simply Be offered a credit limit increase. This indicates that Mrs D was experiencing some financial stress.

From the transaction history Simply Be provided, I can see that Mrs D made her payments consistently, but only made the minimum payment towards her balance.

The credit limit increases were in relatively quick succession. Mrs D opened the account in March 2017 with a credit limit of £200, and just seven months later the limit had increased sevenfold to £1,400.

I think that before offering the credit limit increase to £1,000 in August 2017, it would have been proportionate for Simply Be to have taken steps to verify Mrs D's income by asking her for her bank statements. By this point, sustainable repayments towards the account of around 5% of the credit limit – allowing Mrs D to repay the interest charged and part of the capital if the account were utilised to its limit – would be around £50.

As I have explained above, Mrs D has not provided us with her bank statements. So, I can't reconstruct what information it would have found.

Overall, although I do not think Simply Be conducted proportionate checks to satisfy itself that each of the credit limit increases were sustainably affordable for Mrs D, I do not have enough information to reasonably conclude that it should not have increased the credit limit had it conducted proportionate checks.

For these reasons, I am not upholding this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 8 April 2024.

Frances Young
Ombudsman