

The complaint

Mrs M says Grattan Plc, trading as Look Again (“Look Again”), irresponsibly lent to her. She has requested that the interest and late payment charges she paid be refunded.

What happened

This complaint is about a catalogue shopping account provided by Look Again to Mrs M in February 2014. The account had an initial credit limit of £200. This was increased to £300 in April 2014, to £400 in May 2014 and then to £500 in June 2014.

Mrs M started getting into difficulties with meeting the monthly payments in November 2015. The account was eventually defaulted in November 2017 with the outstanding debt then being passed on to a third party collections business.

Mrs M says she’s unhappy that Look Again first granted her the credit and then went on to more than double the amount of credit available to her.

Look Again says it carried out enough checks when it agreed to give Mrs M the account and each time it increased her credit limit.

Our investigator upheld Mrs M’s complaint in full. They thought that Look Again ought to have realised that Mrs M wasn’t in a position to sustainably repay the new credit from the outset.

As Look Again disputes our investigator’s basis for upholding the complaint, it has been passed to me for an ombudsman’s 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.

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.

Our investigator thought Look Again ought to have carried out better checks before granting the opening credit and the three credit limit increases that followed in quick succession. This was because it appeared likely that Mrs M was already struggling financially and so it needed to gain a better understanding as to whether Mrs M would be in a position to sustainably repay the credit she was being granted. Based on the evidence and information I’ve seen, I agree that Look Again lent to Mrs M irresponsibly. I will explain why.

Look Again needed to take reasonable steps to ensure that it made a fair lending decision. In practice this means that it should have carried out proportionate checks to make sure Mrs M could afford to repay what she was being lent in an affordable and sustainable way. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mrs M's income and expenditure. With this in mind, in the early stages of a lending relationship, and when the opening credit is low, it may be that less thorough checks might be reasonable and proportionate.

But certain factors might well point to the fact that Look Again should fairly and reasonably have done more to establish that any lending was likely to be sustainable for Mrs M. I think key factors here are Mrs M's credit history, including her frequent pattern of borrowing, the period of time that she'd remained indebted historically, holding delinquent accounts as well as accounts where she had reached or was potentially exceeding her credit limit. In Mrs M's case, I think this all strongly suggested that the new credit was unlikely to be sustainable.

I therefore agree with our investigator that Mrs M's credit history and pattern of borrowing should have indicated to Look Again that further lending was likely to be unsustainable, or otherwise harmful for Mrs M. I also think that Look Again's checks appeared to show by the number of new accounts she'd opened in the previous twelve months that there was a relative amount of volatility in her overall indebtedness with other creditors, suggesting reliance on short-term borrowing. So I think Look Again ought to have realised that there was a significant risk that granting credit and then increasing it in these circumstances would lead to Mrs M's indebtedness increasing unsustainably.

I also agree there was enough information available from the credit checks to show that better checks were needed in order to ascertain Mrs M's financial situation before agreeing to lend, even at the relatively modest level of £200. And I've kept in mind that within four months that credit limit had more than doubled, to £500.

I've looked at what Look Again has said in response to our investigator's findings. I've thought about all of the points they've raised but they don't lead me to change my opinion. I note in particular that Look Again says Mrs M wasn't overly reliant on her existing credit and that her overall financial position had improved. But from what I've seen Mrs M's financial situation remained at best what I would consider to be finely balanced based on what Look Again found when it checked her credit history. I consider that as things stood there was a real risk that making further credit available to Mrs M could lead to a deterioration in her financial circumstances.

It follows that I think Mrs M lost out because Look Again provided her with the account. In my view, Look Again should have realised from its checks that Mrs M could be getting into further financial difficulty and was likely to experience problems in paying back even the relatively modest amount of credit she started with.

Look Again should therefore put things right.

Putting things right – what Look Again needs to do

- Rework Mrs M's account to remove all interest, fees and charges not already refunded, including any buy now pay later interest, to reflect the fact that no credit should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Look Again should contact Mrs M to arrange an affordable

repayment plan. Once Mrs M has repaid the outstanding balance, it should remove any adverse information recorded on Mrs M's credit file relating to the account.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs M, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Look Again should also remove any adverse information from Mrs M's credit file relating to the account.

If Look Again considers tax should be deducted from the interest element of my award it should provide Mrs M with a certificate showing how much tax it's taken off, so she can reclaim that amount, if she is eligible to do so.

Given that Look Again has sold the outstanding balance on the account to a third party, it either needs to buy the account back from the third party and make the necessary adjustments; or it can pay an amount to the third party so it can make the necessary adjustments; or it can pay Mrs M an amount to ensure that it fully complies with this direction.

My final decision

For the reasons I've set out above, I'm upholding Mrs M's complaint. Grattan Plc, trading as Look Again, should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 5 April 2024.

Michael Goldberg

Ombudsman