

Complaint

Mrs L has complained that J D Williams & Company Limited ("J D Williams") irresponsibly provided her with a catalogue shopping account and limit increases despite the fact that they were unaffordable.

Mrs L is being represented in her complaint by a Claims Management Company ("CMC").

Background

Mrs L was provided with a catalogue shopping account by J D Williams, which had a credit limit of £200, in March 2009. Mrs L's credit limit was increased on three occasions until it reached £1,000.00 in July 2009.

One of our investigators looked at everything provided and felt that he didn't have enough to reasonably conclude that proportionate checks would have shown J D Williams that it shouldn't have provided this account or the subsequent credit limit increases to Mrs L. So he didn't think that the complaint should be upheld.

The CMC, on Mrs L's behalf, disagreed with our investigator's conclusions and asked for an ombudsman's review of the complaint.

My findings

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, I've decided not to uphold Mrs L's complaint. I'll explain why in a little more detail.

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.

J D Williams needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs L could afford to repay what she was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that J D Williams should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of

income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs L's complaint.

Mrs L's account was opened in March 2009 with a credit limit of £200. The catalogue shopping account J D Williams provided Mrs L with was a revolving credit facility. This meant that J D Williams was required to understand whether Mrs L could repay £200 within a reasonable period of time.

I understand that J D Williams carried out a credit check before initially agreeing to provide this account. J D Williams hasn't been able to provide me with the out of its results. Given that all of this took place some fifteen years ago, I don't think that this is surprising. And I've therefore not drawn any adverse inferences in relation to J D Williams' inability to provide this information at this stage.

In any event, what is important to note is that a credit limit of £200 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time. And I've not been provided with any clear evidence to show that Mrs L's circumstances were such that I could reasonably conclude that she didn't have the funds to make the very low monthly payment required.

As this is the case, I'm satisfied that it wasn't unreasonable for J D Williams to have agreed to this account. And I find that J D Williams didn't treat Mrs L unfairly when it initially opened Mrs L's account with a credit limit of £200 in March 2009.

As I've explained in the background section of this decision, J D Williams increased Mrs L's credit limit on three occasions, over the course of around four months, until it eventually reached £1,000.00 in July 2019. Most of these limit increases were modest. So I wouldn't have expected J D Williams to have done too much more for the first two increases than it did when determining whether to initially provide the account. And, for much the same reasons, my findings in relation to these limit increases are the same as those for when the account was originally opened.

However, by the time of the third limit increase in July 2009, Mrs L's credit limit was being increased to £1,000.00. So I would have expected J D Williams to have found out more about Mrs L's income and expenditure (particularly about her regular living expenses) before providing this credit limit increase. This is particularly as this was the third limit increase over a short period of time.

As J D Williams has been unable to evidence having done this in this instance, I don't think that the checks it carried out before it provided the July 2009 limit increase were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, Mrs L's CMC says she is unable to provide us with all of the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with these limit increases. And without this information I'm unable to ascertain whether proportionate checks would have prevented J D Williams from lending to her.

Furthermore, bearing in mind the amount of the monthly repayments required and there appear to have been no significant arrears until 2011, I can't reasonably conclude that the increase to the facility was demonstrably unaffordable, notwithstanding being unable to recreate what proportionate checks are likely to have shown. Indeed the limited information available in terms of Mrs L's repayment record from around the time actually indicates that she was making repayments in line with clearing the increased balance within a reasonable period of time.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that J D Williams that it shouldn't have provided this account, or any of the subsequent credit increases to Mrs L. And I'm therefore not upholding Mrs L's complaint.

I appreciate this will be very disappointing for Mrs L. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 15 May 2024.

Jeshen Narayanan
Ombudsman