

The complaint

Ms M complains that J D Williams & Company Limited (JDW) was irresponsible in its lending to her. She wants all interest and charges to be refunded along with statutory interest and any adverse information to be removed from her credit file.

Ms M is represented by a third party but for ease of reference I have referred to Ms M throughout this decision.

What happened

JDW provided Ms M with a credit facility in October 2018. She says that at the time the credit was provided she had a high amount of existing debt which should have raised concerns about her ability to sustainably repay the lending. She said the lending wasn't affordable and she hasn't been able to make the repayments.

JDW said that when Ms M opened an account in October 2018, part of the application process was for a credit check to be carried out. It said this didn't identify any county court judgements and while there were three defaults recorded the most recent was 29 months old. It said the other data showed Ms M to be managing her commitments well. It provided a credit limit of £400 which it considered affordable. It said that Ms M had only used a low percentage of the credit available and had made her payments. It found that the increases to the credit limit were responsible and manageable.

Ms M wasn't satisfied with JDW's response and referred her complaint to this service.

Our investigator recorded that Ms M was provided with a credit agreement in October 2018 with a credit limit of £400. This was increased in April 2019 to £600 and then in July 2019 to £900. Between August 2019 and September 2020 JDW took steps to decrease the credit limit. Our investigator noted the checks carried out before the account was opened and initial credit limit increase applied and found these to be reasonable. She noted that the increase in the credit limit to £900 in July 2019 wasn't utilised by Ms M and so hadn't caused any detriment.

However, our investigator didn't think that the credit limit should have been increased in October 2020. She thought the evidence from Ms M's account (showing missed payments) and her credit report which showed a default 10 month's prior and delinquent accounts, raised concerns that Ms M wasn't managing her money and that the credit limit shouldn't have been increased at that time.

JDW responded to our investigator's view saying that only two credit limit increases were applied to Ms M's account (in April and July 2019) and that no credit limit increase took place in October 2020. It said that the credit limit applied in October 2020 was reinstating the credit limit in place before Ms M was placed on a payment arrangement. It said that Ms M had contacted it in January 2020 about a change in circumstances that had affected her finances but that she expected this to be resolved within six months. A payment plan was put in place and Ms M maintained her £30 payments. In September 2020, the account returned to normal trading and Ms M set up a new direct debit to reflect this and had maintained her

repayments for the past four years. It said this showed the reinstated credit limit was affordable.

Our investigator noted JDW's comments but said that Ms M's credit limit before September 2020 was £2 and so a credit limit increase had been applied and she didn't think this was reasonable given the results of the checks completed at that time.

JDW reiterated that the credit limit was reinstated in October 2020 and that no additional lending was provided at that time. It said the credit limit being displayed as £2 was an internal indicator that a restriction had been applied to the account. It said the action taken followed conversations with Ms M and was to assist her while she was experiencing difficulties. It said Ms M would have been told that after the six months her contractual payments and credit limit would be reinstated.

My provisional conclusions

I issued a provisional decision on this complaint the details of which are set out below.

Ms M was provided with a credit facility in October 2018. The credit limit provided was £400. Before the credit was provided, JDW carried out a credit check. This showed that Ms M had three defaulted accounts with the most recent being 29 months old. As the defaults were historic and Ms M didn't have any recent adverse information recorded, I do not find the results of the credit check were such that the lending shouldn't have been provided. Based on a credit limit of £400, I haven't seen evidence to show this wasn't affordable and so I do not find I can say that JDW was wrong to provide this lending.

Ms M's credit limit was increased in April and July 2019. First to £600 then to £900. Before the April 2019 increase, Ms M had kept her account within the credit limit and while it appears that some early payments had been missed, she had made her recent payments. Based on what I have seen, I do not find I have enough to say that this increase was irresponsible. Ms M's credit limit was then increased to £900 but as her balance didn't exceed the £600 limit, she didn't make use of the additional credit and so I cannot say that this caused her any detriment.

Ms M's credit limit was decreased in September 2019 to £532. I can see that before this Ms M had missed some of her payments. Ms M contacted JDW in January 2020 to explain that she was experiencing financial difficulties and was waiting for the sale of her flat. She said she wasn't working and offered to pay £30 a month for the next six months. JDW accepted this and a payment plan was set up for a six month period. During this period a spending restriction was applied to the account which JDW has explained was the reason for a credit limit of '2' being recorded on its internal records. I find this a reasonable response to the concerns Ms M had raised and I can see that Ms M maintained her £30 monthly payments during this period and no new spending was added to the account.

After the payment plan had ended, I can see from the account notes that Ms M was contacted by JDW and her credit limit was reinstated to £530. I note the comments that have been made about the credit limit being increased at this time, but based on the evidence provided I accept JDW's comment that this was a reinstatement of the credit limit after the payment plan had ended. The account notes show that Ms M cancelled her previous £30 direct debit on 1 October 2020 and set up a new direct debit for the minimum payment which supports her being aware of her account returning to its previous status. Ms M then started to use the account again.

While I agree that the account credit limit was reinstated rather than increased in October 2020, I have considered whether this action was reasonable. Having looked at the

information available, this shows that when the credit limit was reinstated, Ms M had two delinquent accounts. However, these were registered 10 months prior to the reinstatement (before the payment plan was put in place). So, while the evidence does show that Ms M was struggling while her payment plan was in place, it does appear that her situation was improving by October 2020 (no accounts in arrears). I also note that since the account was reinstated, Ms M's account management hasn't raised any serious concerns. So, without further evidence, I do not find I can say that JDW was wrong to return Ms M's account to its pre-payment plan status.

I've also considered whether JDW acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think JDW lent irresponsibly to Ms M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Taking all of the above into account, I do not find that I have enough evidence to uphold this complaint.

No new information was provided in response to 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As no new information was provided in response to my provisional decision, my conclusion hasn't changed. That is, for the reasons set out above, I do not find that JDW did anything wrong by providing Ms M with a credit account in October 2018 with an initial credit limit of £400 or by increasing this credit limit in April 2019 to £600. Ms M's credit limit was increased to £900 in July 2019 but as her balance didn't exceed the £600 limit, she didn't make use of the additional credit and so I cannot say that this caused her any detriment.

Ms M's credit limit was decreased in September 2019 to £532. She contacted JDW in January 2020 and a payment plan was set up for a six-month period. I find this a reasonable response to the concerns Ms M had raised. After the payment plan had ended Ms M was contacted by JDW and her credit limit was reinstated to £530. Having considered the action taken at this time, and for the reasons set out above, I do not find I can say JDW was wrong to return Ms M's account to its pre-payment plan status in October 2020.

As previously explained, I've also considered whether JDW acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think JDW lent irresponsibly to Ms M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

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 Ms M to accept or reject my decision before 17 December 2024.

Jane Archer
Ombudsman