

The complaint

Mrs W has complained that J D Williams & Company Limited (J D Williams) lent to her irresponsibly.

What happened

Mrs W opened two catalogue shopping accounts. The first was opened in March 2017 and the second was opened in October 2018. Credit limits were increased on both accounts during the course of the agreements.

In July 2023 Mrs W complained to J D Williams about the accounts. She said J D Williams didn't complete reasonable and proportionate checks and that J D Williams shouldn't have lent to her.

J D Williams says it did all the necessary checks before it lent to Mrs W and that it acted appropriately and fairly. J D Williams didn't uphold Mrs W's complaint, so she brought her complaint to this service. J D Williams gave permission for this service to consider Mrs W's complaint, even though some of the lending decisions appeared to have been made outside the timescales we need to apply.

Our investigator thought that Mrs W's complaint shouldn't be upheld. Mrs W did not agree. As Mrs W didn't agree, the complaint has been passed to me for a 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 and I've taken that into account when considering Mrs W's complaint.

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 W could afford to repay what she was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Mrs W's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Mrs W's initial credit limit was low at £125. Sustainable repayments on this amount would have been about £10 a month if she'd used all of it. Looking at the information supplied by J D Williams it doesn't seem that it had any information about Mrs W's financial circumstances at the time but given the small amount of credit I don't think it made an unreasonable decision to lend to her.

Mrs W's credit limit wasn't increased until February 2017 when it was increased to £225. And over the next three months it increased each month until in May 2017 it was £1,000.

I note from the information that J D Williams has supplied that by this stage it had information about Mrs W's financial circumstances and there was evidence that Mrs W had missed a payment with another lender. However, she was maintaining a very low balance – under £30 each month – she was making her repayments on time and there was no other information to suggest the credit wasn't affordable for her.

In September 2017 Mrs W's credit limit was increased to £1,400. Mrs W's financial circumstances were reported as unchanged, and her balance was around £335. Again, she was making her repayments and there was nothing to suggest the credit was unaffordable for her. So at this stage, I don't think J D Williams needed to do more checks.

In July 2018 Mrs W's credit limit was increased to £2,100. Her balance was about £757. While, again, there was nothing in the data J D Williams obtained about Mrs W's financial circumstances to suggest a problem with the lending, given the size of the increase in lending I agree with our investigator when they say that J D Williams ought to have completed checks to verify Mrs W's income and understand her committed expenditure (for example, what her utility bills, rent or mortgage and council tax cost her each month.)

We asked Mrs W to provide bank statements and her credit file so we could understand what J D Williams might have seen if it had asked her about her income and expenditure, but she wasn't able to supply these. This means I can't fairly say that had J D Williams completed further checks it would have understood Mrs W couldn't afford the credit and would have decided not to increase her credit limit.

In October 2018 Mrs W opened another shopping account with J D Williams. She was provided with a £200 credit limit. Combined with her existing limit this meant her available credit totalled £2,300. In March 2019, J D Williams increased Mrs W's credit limit on her first account to £2,250, making her overall credit limit £2,450. Then, in December 2019, J D Williams increased the credit limit on Mrs W's second account from £200 to £300, making her overall available credit £2,550. Mrs W's financial circumstances had not changed significantly.

Again, I think J D Williams ought to have completed further checks to establish whether Mrs W could afford this increased credit. But the same situation applies as it did with the earlier credit limit increases – Mrs W hasn't been able to supply bank statements or her credit file so that I can understand what J D Williams would have seen if it had completed proportionate checks, so I can't say that J D Williams acted unfairly.

There were no further credit limit increases on Mrs W's accounts. However, in February 2021, J D Williams decreased the credit limit on Mrs W's account to £1,940 because she had missed payments on the account. It also decreased the credit limit on her second account to £170. It seems that in January 2021 Mrs W had contacted J D Williams to explain that her income had reduced as a result of Covid and her working shorter hours. She was asked to provide some further information so J D Williams could identify an appropriate solution for her, but Mrs W didn't engage. She did, however, set up a payment arrangement on the online portal in December 2021. Her credit was also removed from her account. Eventually, in February 2022, her first account was sold on to a third party. Mrs W made occasional payments on the second account, and it seems that at the point of Mrs W's complaint to this service there was an outstanding balance of about £272.

As I have explained, I think J D Williams ought to have completed further checks at certain points of its lending relationship with Mrs W. But this doesn't mean I should automatically uphold Mrs W's complaint. To do that I would need to have an understanding of what J D Williams would have seen if it had done those checks. As I have explained, Mrs W hasn't been able to provide that information, so I can't fairly say J D Williams ought to have done anything differently. Similarly, I don't have enough information to say that J D Williams ought to have shown forbearance to Mrs W when she began to miss payments.

For this reason, I can't say that Mrs W lost out as a result of anything J D Williams might have done wrong.

My final decision

I do not uphold Mrs W's complaint, so it follows that J D Williams & Company Limited doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 23 May 2024.

Sally Allbeury
Ombudsman