

The complaint

Ms S complains J D Williams & Company Limited (JDW) irresponsibly gave her running account credit agreements she couldn't afford.

What happened

In July 2018, Ms S applied for a catalogue shopping account with JDW. It was an open-ended running credit account, and she was given an initial credit limit of £150. The limit was increased twice in the next month to £350, and again in the following three months to £500, £700, and £1,000. A further increase was made in July 2019 to a total credit limit of £1,400.

In March 2019 Ms S applied for another catalogue shopping account. It was an open-ended running credit account, and she was given an initial credit of £200. Over the next five months Ms S's credit limit was increased to a total credit limit of £900.

In August 2019 Ms S applied for two further catalogue accounts. Both were open ended running credit accounts. And she was given an initial credit limit of £150 for each. There weren't any further credit limit increases applied to one of the accounts but the other by November 2019 had three increases to a total credit limit of £500.

Ms S applied for further catalogue accounts in 2020, and these were opened with an initial credit limit of £150. One of the accounts opened in March 2020 had further credit limit increases over the following three months to a total of £900. Ms S applied for another catalogue account in April 2021.

Ms S complained to JDW in February 2023 to say the accounts had been unaffordable to her and in increasing the credit limits, JDW had made her financial circumstances worse. JDW said that they should have seen Ms S had a defaulted account when she applied for the catalogue account in April 2021. To put things right they looked to refund the interest and charges applied to this account and offset this against the balance she owed. Reducing this by £39.96. But for the other accounts JDW didn't agree they'd acted unfairly in advancing her credit.

Ms S wasn't happy with JDW's response and referred her complaint to us.

Our investigator didn't recommend the complaint be upheld. She said JDW needed to gather sufficient information that showed Ms S could afford the repayments. She said given the timeframe over which the accounts were opened and/or credit limits increased she hadn't had much opportunity to demonstrate that she could manage the accounts. She said JDW should have completed more thorough affordability checks. But as Ms S hadn't provided sufficient evidence of her financial circumstances at the time of the lending she wasn't persuaded JDW had acted unfairly in agreeing to lend to Ms S.

Ms S didn't agree, so has asked for her complaint to be referred to an ombudsman 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'm not considering the catalogue account opened in April 2021 as JDW has already said that they shouldn't have lent to Ms S and have put things right by refunding the interest and charges that had been applied. So I won't comment further on this.

Prior to granting Ms S with credit JDW are required to ensure she could sustainably afford to repay what she borrowed. There isn't a set list of checks JDW had to complete, but they needed to make sure the checks they carried out were proportionate in the circumstances. What is considered proportionate will vary, and in circumstances such as this where JDW increases the availability of credit over time, it's more likely that more thorough checks will be required later in the lending relationship than at the beginning, to take account of the differences in the amount of credit being lent. And that the lending history and pattern of lending itself might demonstrate whether the lending is sustainable.

In deciding what was proportionate each time it extended credit to Ms S, JDW needed to take into account things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning running account credit agreements), the cost of credit and the consumer's circumstances.

JDW has provided us with information about the checks they did. They said the credit checks didn't provide them with any concerns. I've looked at the information provided, and I can see that from around Sept 2018, it shows that there'd been a previous default registered to Ms S' credit file 14 months prior (around July 2017). And that there had been a missed payment. Looking across the various accounts I can't see that there were any further defaults or missed payments recorded at the time of the other accounts being opened or credit increases applied. I can see that the number of active creditors increased over the time of the accounts from around 31 in Sept 2018 to 38 by November 2019.

I've also considered Ms S' account history supplied by JDW. I can see that Ms S even when the credit limits were applied didn't fully utilise the credit offered, and over the accounts generally used around 50% or less of the account limit. It wasn't until 2020 that Ms S' utilisation increased. But it appears that Ms S was just making minimum repayments to her accounts. And the credit limits applied by JDW increased regularly over a short period to in some cases five times the amount of the initial credit limit.

I agree with our investigator in that the increases in Ms S credit limit were done before JDW could ascertain her ability to sustain the repayments. We haven't received any information from JDW about Ms S' income and living costs at account opening or at the time of the credit limit increases. I think for JDW to be able to assess whether Ms S could meet her repayments sustainably they needed to understand that she'd sufficient disposable income to do so. And I don't think the checks JDW carried out were proportionate or sufficient to show this when they agreed to lend to Ms S.

But saying JDW should have done more before lending to Ms S doesn't automatically mean her complaint should succeed. I also need to be persuaded that what I consider to be proportionate checks would have shown JDW that Ms S couldn't sustainably afford the credit. As previously mentioned, there isn't a set list of checks that a lender should make, but bank statements will I think usually provide a good understanding of someone's financial situation as they should show their income and essential outgoings. Our investigator asked

Ms S to provide her bank statements for this reason, but she hasn't provided these. But she has given us her latest credit report.

While I can see that Ms S had several short-term lending accounts that she paid on a weekly basis. All were paid and settled on time. I haven't seen any adverse information that could have raised concerns to JDW before they agreed to lend to her.

As outlined above while the number of Ms S' creditors increased over the time of the application and credit limit increases, I can't see her financial situation had worsened at the time of the lending, as no further defaults or missed payments occurred. I appreciate my decision will disappoint Ms S, but without any other evidence to show her income and expenditure at the time of the lending I can't say that JDW acted irresponsibly in lending to her.

I understand that Ms S' financial situation has since deteriorated, and she has sought assistance from JDW. I'd expect JDW to act with forbearance and consideration in accordance with CONC to help Ms S with her current financial situation.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 16 December 2023.

Anne Scarr
Ombudsman