

Complaint

Mr W has complained that J D Williams & Company Limited ("J D Williams") irresponsibly provided him with a catalogue shopping account that had a high credit limit and which was unaffordable for him.

Background

This complaint is about a catalogue shopping account J D Williams initially provided to Mr W in September 2013. Mr K was initially given a credit limit of £125.

Mr K's credit limit was then increased on eight occasions at the following times:

December 2013 - £200
November 2014 - £300
February 2015 - £500
March 2015 - £800
February 2016 - £1,300.00
January 2021 - £1,800.00
June 2021 - £2,750.00
November 2021 - £3,000.00

Having looked at Mr W's account balances, I can see that he never had a balance which exceeded £1,800.00. Therefore, he in effect, never used the extra credit granted from June 2021 onwards. In these circumstances, Mr W didn't lose out as a result of the credit limit increases from June 2021 and so we've not looked into the complaint about those limit increases.

One of our investigators looked at everything provided and felt that she 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 credit limit increases Mr W utilised. So she didn't think that the complaint should be upheld.

Mr W 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 Mr W'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 Mr W could afford to repay what he 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 Mr W's complaint.

Mr W's account was opened in September 2013 with a credit limit of £125. The catalogue shopping account J D Williams provided Mr W with was a revolving credit facility. This meant that J D Williams was required to understand whether Mr W could repay £125 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 has been unable to provide the output of its credit checks. But given these credit checks were carried out a number of years ago (more than a decade), I don't find this too surprising and I've not drawn any adverse inferences from this.

What is important to note is that a credit limit of £125 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 Mr W circumstances were such that I cannot reasonably conclude that he had 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 Mr W unfairly when it initially opened Mr W's account with a credit limit of £125 in September 2013.

As I've explained in the background section of this decision, J D Williams increased Mr W's credit limit on eight occasions until it eventually reached £3,000.00 in November 2021. And I've also explained why I'm only looking at the first six of these increases.

Four of these six limit increases were modest in that the maximum amount Mr W could owe by the time of limit increase four was £800. I wouldn't have expected J D Williams to have done too much more for the first four increases than it did when determining whether to initially provide the account. The payments required for a limit of £800 were still pretty low. 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 fifth limit increase in February 2016, Mr W's credit limit was being increased to £1,300.00. So I would have expected J D Williams to have found out more about Mr W's income and expenditure (particularly about his regular living expenses) before providing this and any further credit limit increases.

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 February 2016 limit increase and the subsequent ones 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, Mr W has only provided us with a copy of his credit file. And having reviewed this information which showed no significant adverse information such as defaulted accounts or county court judgements recorded against Mr W, I can't reasonably say that this shows he couldn't have afforded to make the payments on this loan.

Furthermore, although there is some evidence of short-term lending on Mr W's credit file, bearing in mind the amount he borrowed, the monthly repayments made and there appears to have been no sustained arrears on the account, I can't reasonably conclude that the repayments in themselves were responsible for him resorting to short-term lending in the way Mr W has said.

I say this particularly in light of the fact why Mr W told us service he wasn't able to complain earlier, which has been accepted, and Mr W was being provided with goods rather than cash funds here.

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 Mr W. And I'm therefore not upholding Mr W's complaint.

I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his 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 Mr W to accept or reject my decision before 13 February 2024.

Jeshen Narayanan
Ombudsman