

## **The complaint**

Mr B is complaining about J D Williams & Company Limited trading as Home Essentials because he says it offered him credit he couldn't afford and is unhappy with the interest rates being charged on his account.

## **What happened**

Mr B had a catalogue shopping account with Home Essentials that started with a credit limit of £150, which has been steadily increased and reached £3,000 in May 2023.

The interest rate payable on the account started at 3.405% every 28 days. This was increased to 3.61% (or 69.98% per year) in 2022. In 2023, Home Essentials said it was increasing the interest rate again to 74.99% per year. Mr B declined this increase, meaning the credit facility was removed and he now needs to pay for all purchases in full at the time of ordering.

Mr B made a previous complaint about irresponsible lending in January 2022, at which time the credit limit on the account limit was £1,200. Home Essentials didn't uphold the complaint but did explain Mr B's right to refer the complaint to us within six months of the date of its response.

Mr B didn't complain within the permitted six-month timescale and our investigator concluded we can't now look at Mr B's concerns about any lending decisions before his complaint in 2022. He said that meant we could only consider a complaint about the subsequent decisions to increase the limit – to £1,800 in June 2022, to £2,750 in August 2023 and £3,000 in May 2023. Mr B accepted this point.

When reviewing these decisions to increase the credit limit on Mr B's account, our investigator concluded Home Essentials should have carried out further checks that would have showed the additional credit was unaffordable. But as it had demonstrated Mr B never spent above the previous limit of £1,200, he concluded Mr B had not been disadvantaged as a result of these decisions and didn't recommend the complaint be upheld.

Mr B didn't accept the investigator's assessment. He doesn't dispute his account balance never exceeded £1,200 but has emphasised his concerns about the rising interest rate and an apparent inconsistency with how other accounts are treated.

The complaint has now been referred to me for review.

## **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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't

believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

In respect of Mr B's complaint about Home Essentials' decision to approve his account application and increase the limit over time, I agree with the investigator's assessment. In respect of lending decisions taken before Mr B's original complaint in January 2022, it's now too late for me to consider their merits as the complaint wasn't referred to us within the permitted timeframe.

Looking at the more recent lending decisions made after January 2022, I agree there were some issues that probably should have prevented Home Essentials from increasing the credit limit further. In this scenario, our normal remedy would be based around a refund of all charges and interest on balances above £1,200 – not all interest and charges on the entire account as Mr B seems to believe. But since the balance never exceeded this amount, there are no charges or interest to refund and no compensation is due.

Turning to the rate of interest charged on the account, the information provided by Home Essentials shows this started at 3.405% every 28 days and remained at this level until it was increased to 3.61% in 2022. The account terms and conditions do provide for Home Essentials to change the rate of interest and I'm unable to conclude it did anything wrong in this instance. Or when it proposed to increase the interest rate again in 2023.

This notwithstanding, I would expect Home Essentials to inform customers of any changes to its interest rate and it's provided sample copies of letters it says were sent when these increases were made. These say customers can reject the increase, in which case the credit facility would be removed. This is exactly what happened with Mr B's account in 2023.

I understand Mr B may feel the interest payments on his outstanding account balance are high, but I think the evidence shows Home Essentials has acted within the terms and conditions of the credit agreement.

It's for these reasons that I'm not upholding Mr B's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

### **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 B to accept or reject my decision before 14 May 2024.

James Biles  
**Ombudsman**