

## Credit limit

### Background

George\* cleared his Buy Now, Pay Later account balance and requested a reduced credit limit. Several months later, he asked for an increase to his limit, but this was declined by the provider as George had previously mentioned concerns with financial management and temptation.

However, overtime the provider automatically began increasing the limit with it eventually reaching in excess of \$1000. George found himself in financial hardship, with missed payments and late payment fees. Although a repayment plan was agreed, George's request to waive late fees was declined. His account was then sent to debt collection.

### Next steps

George contacted FDRS, arguing that a responsible lender should not have raised his limit repeatedly given his circumstances. George had recently been made redundant and was insolvent. He also objected to his account being referred to debt collection despite the repayment plan.

### Outcome

The complaint was **partially upheld**.

The provider claimed they were unaware of the extent of George's financial difficulties but also admitted errors. They paused debt collection, waived fees, and offered a goodwill payment as compensation.

FDRS found no evidence of irresponsible lending on behalf of the provider but did identify service lapses. FDRS directed the compensation amount be increased for the inconvenience caused.

### Lessons learned

Buy Now, Pay Later services can help spread costs but carry risks. Missed payments incur penalties, adding to hardship. Consumers should contact providers early and seek financial advice if struggling.

*\* Names and details changed for privacy.*