

The complaint

Ms S complains that Studio Retail Limited lent to her irresponsibly.

What happened

Ms S applied for credit with Studio on in November 2017. The catalogue shopping account was opened with a credit limit of £100.

Ms S says Studio should never have given her any credit as she wasn't working and was already in financial difficulties.

Our investigator didn't uphold Ms S's complaint. She didn't think Studio had done anything wrong when offering Ms S credit.

Ms S disagreed so the complaint has been passed to me 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.

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 Ms S's complaint.

Having done so, I've come to the same conclusion as our investigator. I don't think Studio acted unfairly and lent to Ms S irresponsibly.

Studio needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms S could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much credit was being offered, the repayment amount, Ms S's borrowing history and her income and expenditure.

Studio has provided details of the checks it completed when opening Ms S's account. Given the low credit limit it offered Ms S, I think these checks were proportionate. Studio says these checks show it was reasonable to lend to Ms S in the way that it did.

I can see from the checks Studio completed that the information it obtained about Ms S did show some negative information about her financial situation, which might suggest it she could find it difficult to afford to repay any credit. But there were also some indications that a small amount of credit would be affordable for her. I don't think there was enough negative information there to say Studio acted unfairly when it opened an account for Ms S with a very low credit limit.

Overall, I'm satisfied that the checks Studio completed were reasonable and proportionate in the circumstances and it didn't make an unfair lending decision here.

I appreciate that after the account was opened, Ms S went on to use most of the available credit limit straightaway and then struggled to make the repayments – only paying £16.31 in total towards the debt. But based on the checks Studio did (which as I've said, were proportionate to the credit being offered), I don't think it could have known Ms S wouldn't be able to afford the repayments of £10 a month.

My final decision

For the reasons I have set out above I do not 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 26 August 2022.

Claire Allison
Ombudsman