

The complaint

Ms B complains that Studio Retail Limited irresponsibly gave her a running account credit facility she couldn't afford and increased the credit limit multiple times.

What happened

Ms B applied for a credit account through Studio in September 2017. Studio approved an initial credit limit of £100. Studio increased Ms B's credit limit on the following occasions:

- April 2018 to £300
- May 2018 to £350
- December 2018 to £475
- March 2019 to £600
- June 2019 to £750

In November 2020, Ms B complained to Studio to say the account shouldn't have been opened as it was never affordable for her. Studio didn't think it had acted unfairly in opening the account or increasing the credit limit. It said it had carried out reasonable affordability checks which indicated the limits were affordable to her.

Our adjudicator didn't recommend the complaint be upheld. She thought Studio had completed adequate checks and acted fairly in opening the account and increasing the limit up to £475. She didn't think Studio had done enough when increasing the limit to £600 and beyond. She said further checks on Ms B's income and expenditure should have been carried out. However, Ms B hadn't adequately demonstrated what her financial circumstances were at the time of these increases, so our adjudicator couldn't reasonably conclude Studio had acted unfairly in increasing the limits.

Ms B didn't agree, so the complaint has been passed to me for a final decision.

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.

Studio will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Studio initially opened the account with a limit of £100. It hasn't provided us with much detail about what its checks revealed at the time of the application. But Ms B hasn't provided us with anything persuasive to demonstrate Studio ought to have had concerns about approving such a low limit. Overall, I'm not persuaded Studio acted unfairly or unreasonably in opening the account.

Between the account opening to June 2019 (when the limit was increased to £750), I can see that Ms B was often running the account in a credit balance by paying lump sums into the account and making overpayments. She also made large one-off payments to pay off larger purchases in one go as soon as they were made, such as payments of £193, £180, £380 and £370. Ms B was therefore demonstrating for a prolonged period of time that she could make regular and substantial repayments in comparison to the available limit.

I note that from the information Studio has provided that it was aware Ms B had been in financial difficulty on other credit commitments in the past. Although there was a record of good repayment history on the account, by the time Studio raised her credit limit to £600, I think further affordability checks ought to have been carried out. I think as a minimum it should have sought to find out what Ms B's income was, as without any understanding of what she earned it couldn't have reasonably known whether or not this level of credit limit was affordable to.

I don't therefore think Studio completed reasonable and proportionate affordability checks when it raised Ms B's limit to £600 and £750. However, Ms B hasn't provided us with any persuasive evidence of what her financial circumstances at the time were. Without that information, I can't reasonably conclude that Studio acted unfairly in increasing her limit on those two occasions.

I note Ms B is now in a debt management plan and has a repayment arrangement in place with Studio for the outstanding balance. Just because she started having financial difficulties after the limit was increased to £750 it doesn't automatically follow that the lending decision was unfair. I say this because Ms B continued to make overpayments to the account for around two months after the increase and hasn't given us any evidence of what her financial circumstances were. It's equally possible her situation changed shortly after the limit increase and I therefore can't reasonably say Studio acted unfairly in increasing the limit.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 24 December 2021.

Tero Hiltunen
Ombudsman