

The complaint

Mr H complains that Studio Retail Limited (“Studio”) provided him with increasing credit that he couldn’t afford and which led to him missing payments, incurring charges and overall debt problems.

What happened

In February 2011 Studio approved Mr H for a catalogue shopping account with a limit of £80. This limit was increased by Studio multiple times until it reached £1,180 by March 2013. There were various problems with the account, and Studio began decreasing Mr H’s credit limit in June 2013. Ultimately the account was frozen in 2017 and sold on to a debt collection agency in 2018.

Mr H complained to Studio that the credit limit increases had caused him financial difficulties, expressed as “*debt problems*” in his original complaint to the business in February 2020. Studio initially said that Mr H had brought his complaint too late, so it wouldn’t look into it, at which point Mr H brought his case to this service. Our adjudicator thought that Mr H hadn’t raised his concerns too late, and so the case was in our jurisdiction.

Studio then provided what evidence it could about Mr H’s account, and the adjudicator investigated the complaint. He concluded that there was insufficient evidence available to conclude that the credit limit increases should not have been given. However, he initially thought that Studio should have frozen the account earlier than it did, namely in the summer of 2014, and so stopped adding interest and further charges. Studio didn’t accept that, and some back and forth followed. Ultimately, the adjudicator’s original view, that the account should have been frozen in August 2014, was reinforced further, but Studio still didn’t accept, and asked that the case be the subject of a final decision by an Ombudsman.

As there is no longer a dispute about the credit limit increases, I won’t be commenting on them.

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’m upholding it and I’ll explain why.

Firstly, Studio has asked for clarification on why the matter of its management of Mr H’s account – what it terms a “*forbearance complaint*” – has been considered at all. It says that Mr H has only complained about credit limit increases, and so it does not know why we have looked into anything beyond that. Further, it asserts that it has “...*had no opportunity to investigate this element...*”

I have several points to make in response:

- I have no doubt that Studio is well aware of the Financial Ombudsman Service’s

inquisitorial remit. Put simply, that means that our investigations are not confined to *the letter* of what a consumer complains about. We take a holistic look at a business's actions in relation to the product or action that has been complained about.

- In any event, I am satisfied that, whilst Mr H didn't explicitly raise a "forbearance complaint", his testimony has consistently referred to financial difficulties which arose from this account: what he called "debt problems". So I don't accept that his complaint is limited to the credit limit increases.
- I am more than a little perplexed at Studio's assertion that it has "...*had no opportunity to investigate this element...*". As mentioned above, I believe that Mr H did refer to these matters in his original complaint of February 2020. That is over two years ago. Should Studio have required this element to be explicitly highlighted to it, that happened in November 2021 when the adjudicator explored it in depth in his view. That was nearly four months ago, and indeed Studio responded to the issue in detail. How it responded without investigating, I have no idea. But I am entirely clear that it has had ample opportunity to consider this issue and respond.

There is essentially only one issue in dispute in this case: whether, as a responsible lender, Studio should have frozen the account and stopped charging interest sooner than it did.

The adjudicator thought that Studio should have frozen this account in August 2014, and I agree for broadly the same reasons. In short, whilst Mr H didn't tell Studio until 2017 that he was in financial difficulty, Studio had a responsibility to monitor the account for signs of problems. And I conclude that there were sufficient signs by August 2014 to have made Studio aware that all was not well and to therefore take different actions in its management of Mr H's account.

Key signs of problems were:

- Multiple and repeated payment problems on the account, especially arrears, in the preceding ten months. Studio highlights that Mr H offered a range of reasons for these arrears, which in my view reinforces the concern – essentially Mr H was providing differing excuses, of variable plausibility, on a regular basis, which is consistent with an individual experiencing problems.
- Studio's decisions to reduce Mr H's credit limit from June 2013 onwards. These decisions can only have been the result of regular account checking, as Studio accepts. The actual results of those checks are no longer available, but it is a reasonable assumption that they revealed concerns – there is no other plausible explanation for Studio's actions.

Studio says that it wouldn't have been fair to stop Mr H buying things on this account, as he was buying "essentials", which would have been "...*much more expensive if purchased on the high street*", and the cost could not have been spread. I am not a retail expert, and the price point of Studio's goods is not relevant anyway. It is Studio's actions as a regulated lender that are in question and the subject of my decision. For the reasons I've explained, there were sufficient signs by August 2014 that Mr H was having persistent difficulties in successfully managing this credit facility to warrant action from Studio. The account should have been frozen in August 2014, not left to run until 2017. It therefore follows that I uphold this complaint.

Putting things right

I require Studio to take the following steps.

- Remove all interest and charges (including any BNPL interest) incurred on the account since 14 August 2014.
- Calculate the balance on that date after those adjustments, and ensure any repayment made by Mr H since then is used to reduce that balance.
- If that calculation means the adjusted balance would have been cleared, Studio must refund any remaining sums to Mr H with 8% simple interest*, calculated from the date of overpayment to the date of settlement.
- If this rework means that Mr H owes no more money, Studio must remove adverse information about this account from 14 August 2014 onwards from Mr H's credit file.
- If after the adjustment an outstanding balance remains, Studio must try to arrange an affordable repayment plan with Mr. This may involve Studio repurchasing the debt from a third party, or liaising with that third party to ensure the above steps are undertaken. Once the balance has been fully cleared, any adverse information about the account should be removed from Mr H's credit file.

*HM Revenue and Customs requires Studio to deduct tax from any award of interest. It must give Mr H a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons I've explained, I uphold this complaint and direct Studio Retail Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 April 2022.

Siobhan McBride

Ombudsman