

The complaint

Ms C complains that Studio Retail Limited ('Studio Retail') irresponsibly gave her a running account credit facility that she couldn't afford.

What happened

On 22 September 2016, Ms C applied for a credit account with Studio Retail. She was given an initial credit limit of £300. The credit limit was increased seven times to £1050 on 31 August 2017.

On 27 October 2020, Ms C complained to Studio Retail to say that the account shouldn't have been opened for her because it wasn't affordable and that Studio Retail ought to have made a better effort to understand her financial circumstances before increasing her credit limits.

Our adjudicator recommended the complaint be upheld in part. Studio Retail didn't agree. So, the complaint has been passed to me to decide.

I issued my provisional decision in respect of this complaint on 22 April 2022, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the adjudicator's view and that it was my intention not to uphold Ms C's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Studio Retail 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.

Our adjudicator's assessment provided a detailed account of all the increases of credit and they are summarised above. Neither party has called the specifics into question, so, I don't intend to cover them off here.

Ms C's complaint is that Studio Retail made credit available that was unaffordable. It is not straightforward trying to determine affordability because Ms C has not been able to provide any bank statements from the times in question. Studio Retail has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer. It's possible that Studio Retail failed to make adequate checks before providing Ms C with credit. But even if that's true, I don't think better enquiries would have caused Studio Retail to think the initial credit limits or the credit increases were unaffordable.

I say this because the initial credit limit was modest and the minimum monthly payments for that credit were also relatively modest. There were no payment issues early in the life of the account and only one in the time the credit limit was increasing. Overall, I have placed more weight on this matter than our adjudicator did; that the account was well managed and, before the credit limit reached £1050, Ms C was not using anything close to the full credit limit available to her. And it was many months after the last credit limit increase that Ms C contacted Studio Retail about financial difficulties. I've seen no evidence that Studio Retail failed to treat Ms C with forbearance when she did.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Ms C to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Studio Retail to think that the credit it provided Ms C was unreasonable. Further, I'm not persuaded that the way Ms C was managing her account or what Studio Retail could see of her management of other credit ought to have prompted it to have acted differently than it did.

I know that Ms C will be disappointed with my decision, but I want Ms C to know that I listened to all the submissions made in this case. But having considered all the submissions in this case, particularly those at the time of the credit and the credit increase, I have not found sufficient evidence to uphold this complaint."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 20 May 2022. Studio Retail have acknowledged receiving the decision and said they accept my provisional findings. Ms C's representatives have acknowledged receiving the decision but, at the time of writing, they have not made any further submission or made a request for a time extension to do so. I think that Ms C has had sufficient time to make substantive further submissions if she had wished to. So, I am proceeding to my 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 Retail 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.

Given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for not upholding Ms C's complaint, I have nothing further to add.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 20 June 2022.

Douglas Sayers
Ombudsman