

The complaint

Mrs H says Studio Retail Limited (“Studio Retail”) irresponsibly lent to her. She has requested that the interest and late payment charges she paid on her account be refunded.

What happened

This complaint is about a catalogue shopping account provided by Studio Retail to Mrs H. The account was opened in October 2018 with Mrs H being given an initial credit limit of £100. This limit was then increased four times: in March 2019 to £200, in March 2020 to £325, in June 2020 to £450 and finally in October 2020 to £1,500.

Mrs H says whilst she was happy with her initial credit limit she’s unhappy that Studio Retail continued to increase her credit limit without checking if she could afford each increase.

Based on the limited information she had about Mrs H’s financial circumstances, our adjudicator didn’t think Studio Retail had acted unfairly in approving the account opening or the way it managed the account.

As Mrs H didn’t agree her complaint has been passed to me.

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.

Studio Retail says it acted as a responsible lender when opening Mrs H’s account and increasing her credit limits. Our adjudicator has set out in some detail why, based on the available information, he didn’t think Studio Retail lent to Mrs H irresponsibly.

In making my decision I’ve looked at the overall pattern of Studio Retail’s lending history with Mrs H, so as to see if there was a point at which Studio Retail should reasonably have seen that further lending was likely unsustainable, or otherwise harmful. If so, that would mean Studio Retail ought to have realised that it shouldn’t have further increased Mrs H’s credit limits.

Having reviewed the complaint myself, including the account history, I’ve reached the same outcome as our adjudicator and so don’t consider that Ms W lost out due to Studio Retail’s actions in relation to her account. I will explain why.

When Mrs H opened her account in October 2018, Studio Retail says there were no significant signs of financial difficulties based on the checks it did. Having reviewed the checks, and taking into account the low opening credit limit of £100 she was given, I don't think there is anything to suggest that it would have been unreasonable for Studio Retail to have approved the account at this point.

Studio Retail says that from its checks it was aware that, whilst that Mrs H had other credit accounts elsewhere, there were no signs that she was in serious arrears or had gone into default with her borrowing. However, it found that she had in the past not made payments in time on four other credit accounts. Studio Retail decided still to go ahead with offering Mrs H an account with a low opening credit limit. I don't think that was unreasonable. Whilst Studio Retail didn't ask Mrs H about her income, I can see that this may have helped it begin to build a picture of her financial circumstances at that point. As things stand, however, I can't say if it's likely that had it done so, it would have seen that Mrs H would have difficulty making payments to her account.

Mrs H has only been able to give us limited information about her financial situation at the time. In particular, she hasn't sent us any of her bank statements from when she was operating her Studio Retail account. That means we don't know what proportionate checks carried out by Studio Retail would have shown. I see our adjudicator has already explained about this to Mrs H.

Looking at the first three credit limit increases Studio Retail gave Mrs H, I think it might have been helpful for Studio Retail to have found out more about Mrs H's financial situation at each stage. But, as I've said, I don't know what it would have seen had it done so.

When Studio Retail gave Mrs H her fourth credit limit increase, in October 2020, I think it should have requested details of her income, daily expenditure and debts owing elsewhere. But, and as I've explained, we haven't seen enough evidence or information to show that Mrs H may have been experiencing financial difficulty to the extent that Studio Retail shouldn't have increased her credit limit at that point. Mrs H has told us about some personal factors that led to her increasing her spending on her account. Unfortunately, whilst I'm sorry to disappoint Mrs H, that doesn't change things as the key issue is that I can't say the increase was likely to have been unaffordable for her.

It follows that, in the specific circumstances of this complaint, I don't think Studio Retail's actions, first in opening the account and then in increasing the credit limits as it did, was likely to have caused Mrs H to lose out. And I'm not able to say whether further enquiries into Mrs H's circumstances would have led Studio Retail to conclude that it should have taken a course of action that was much different to what it did.

I've kept in mind all that Mrs H has told us about her ongoing financial difficulties but unfortunately this doesn't affect my findings. However, I would expect Studio Retail to continue to act with appropriate forbearance in seeking to assist Mrs H in her efforts to find a fair and manageable way to pay back any balance that is still owing on her account.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 31 October 2022.

Michael Goldberg
Ombudsman

