

## **The complaint**

Miss S 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 Miss S. The account was initially opened in January 2015 as a non-credit account. It was changed to a credit account in October 2016 with Miss S being given an initial credit limit of £410. This limit was increased to £510 in December 2016.

Although Miss S entered into a repayment plan with Studio Retail in January 2019, Miss S's account unfortunately later went into arrears. The account was then assigned to a debt collection agency and in March 2021 it was sold on to a third party.

Miss S says she's unhappy that Studio Retail allowed her to open an account and continued to increase her credit limit when she was only making minimum payments each month and was experiencing financial difficulty.

Based on the limited information he had about Miss S's financial circumstances, our adjudicator didn't think Studio Retail had acted unfairly in the way it managed the account. As Miss S 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 Miss S's account and increasing her credit limits. Our adjudicator has already set out in some detail why he didn't think Studio Retail lent to Miss S irresponsibly. Having reviewed the complaint myself I've reached the same outcome as our adjudicator. I will explain why.

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

When Miss S was granted a credit account with Studio Retail, it says there were no significant signs of financial difficulties based on the checks it did. It was aware that Miss S owed money elsewhere with at least four other credit accounts plus a revolving credit account where she had used over 50% of the available credit. I can't see that Studio Retail asked Miss S about her income, which is something that 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 Miss S would have difficulty making payments to her account. Having reviewed the checks, and taking into account the relatively low opening credit limit of £410 she was given, I don't think there is enough to suggest that it would have been unreasonable for Studio Retail to have approved the account at this point.

Miss S has only been able to give us limited information about her financial situation at the time. So we don't know what proportionate checks carried out by Studio Retail would have shown in relation to the credit limit increase Studio Retail gave Miss S in December 2016. I agree with our adjudicator that it would have been helpful for Studio Retail to have found out more about Miss S's financial situation. I think again it should have requested details about Miss S's income. But as things stand we haven't seen enough to show that Miss S was experiencing financial difficulty to the extent that Studio Retail shouldn't have increased her credit limit at this time. And I don't think the information we have about Miss S's financial situation at the time is enough for me to be able to find that had Studio Retail carried out additional proportionate checks, it would have found the credit limit increase to be unsustainable.

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 granting her a credit limit increase would have caused Miss S to lose out. I also don't consider that Miss S's account history, prior to when she started incurring several late payment fees over the course of 2017, necessarily suggested her financial situation was worsening. And I'm not persuaded that further enquiries into Miss S's circumstances would have led Studio Retail to conclude that it should have taken a course of action that was significantly different to what it did.

Miss S has suggested that Studio Retail ought to have realised she was getting into financial difficulty from the way the account was being managed. I've reviewed the account activity and I can see that Studio Retail made it clear to Miss S that her account was falling into arrears from around November 2018. I see it wrote to her six times in the six month period before she started her payment plan in January 2019. I'm therefore not persuaded that Studio Retail needed to do more to help Miss S once it became aware that she was struggling financially.

It follows that I don't make any award as I don't think Miss S was caused any loss or material distress or inconvenience as a result of anything Studio Retail did after the credit was agreed and the subsequent credit limit increase.

I understand that Miss S has been experiencing some difficult personal circumstances. I am sorry to hear about that. I would certainly expect that Studio Retail communicates to the third party now managing the account of the need to continue to act with appropriate forbearance in seeking to assist Miss S in her efforts to find a fair and manageable way to pay back the 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 Miss S to accept or reject my decision before 16 November 2022.

Michael Goldberg

**Ombudsman**