

The complaint

Mr D has complained that Studio Retail Limited ("Studio Retail"), trading as Ace, irresponsibly lent to him.

What happened

Mr D opened a shopping account with Studio Retail in May 2018. At that point his credit limit was set at £100. It was increased five times between October 2018 and July 2020 by which point it was £650.

Mr D says that he couldn't afford the credit and that if Studio Retail had done proportionate checks on his financial situation it would have realised he couldn't pay it back in a sustainable way.

Studio Retail says it did all the necessary checks before it lent to Mr D and before it increased Mr D's credit limit and that it acted appropriately and fairly.

Our adjudicator thought that Mr D's complaint shouldn't be upheld. He thought that Studio Retail did reasonable checks to begin with but when Mr D's credit was increased Studio Retail ought to have asked Mr D for more information about his circumstances. Our adjudicator asked Mr D, through his representative, for copies of his bank statements and credit file, but this wasn't received. So our adjudicator concluded that he could not safely say if Studio Retail had done more checks it would have seen information which would have indicated it shouldn't increase Mr D's credit limit.

Mr D, through his representative, did not agree. But he didn't provide the information requested or explain why he disagreed. The complaint has been passed to me for a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Mr D's complaint.

Studio Retail needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr D could afford to repay what he was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Mr D's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Studio Retail has provided copies of the checks it did when the account was opened and when the limits were increased. There was no evidence of any recent arrears or defaults on other credit, or any County Court Judgements or debt management plans. So I think in the early days of the relationship Studio Retail did sufficient checks.

It is arguable that later in the relationship, before further credit limit increases were provided, Studio Retail should have sought more information from Mr D about his circumstances. There were three small increases of £100 each month from October to December 2018 and Mr D made late payments in each of these months Studio Retail has said that it didn't have external credit data for those increases, so it relied on information about how Mr D managed his account to that point. I think it would have been sensible for Studio Retail to seek more information before it provided at least the December 2018 increase. The results of its checks in relation to later increase in September 2019 and July 2020 do not seem to have shown anything of concern.

We asked Mr D to provide his bank statements and credit file from the time of the original lending and limit increases. He had provided information in his original complaint to this service which suggested he was using high cost credit facilities during the course of the agreement which might indicate financial difficulty. But Mr D didn't provide this information, so I can't tell what Studio Retail would have seen if they'd done the checks I think were necessary.

For this reason, I don't have enough information to satisfy me that had Studio Retail completed proportionate checks that it would have seen anything which might have made it act differently and not provide the original lending or credit limit increases. And I can't say that Mr D lost out as a result of anything Studio Retail might have done wrong.

My final decision

I do not uphold Mr D's complaint, so it follows that Studio Retail Limited, trading as Ace, doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 January 2023.

Sally Allbeury
Ombudsman