

## **The complaint**

Mrs G has complained that Studio Retail Limited, trading as Studio, irresponsibly lent to her

## **What happened**

Mrs G opened a shopping account with Studio Retail in October 2017. At that point her credit limit was £300. It was increased several times until in June 2020 it was £950.

Mrs G says that she couldn't afford the credit and that she ended up debt as a result. Mrs G says that Studio Retail shouldn't have lent to her because she wasn't working at the time.

Studio Retail says it did all the necessary checks before it increased Mrs G's credit limit and that it acted appropriately and fairly.

Our adjudicator thought that Mrs G's complaint shouldn't be upheld. Our adjudicator thought that adequate checks had been completed by Studio Retail at the time of account opening and at each credit limit increase.

Mrs G did not agree, so 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 Mrs G'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 Mrs G could afford to repay what she 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 Mrs G'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 a copy of the checks it did when it opened Mrs G's account. It didn't have much information available, although it estimated Mrs G's income at around £16,000 and noted that Mrs G didn't have any delinquent accounts elsewhere or any record of bankruptcy or County Court Judgments (CCJs). Her overall credit score was good.

Given the relatively low level of initial lending and the relatively small amount Mrs G would have had to pay each month to ensure her repayments were sustainable (about £18 a month), I don't think Studio Retail did anything wrong when it initially lent to Mrs G.

There were four further increases in Mrs G's credit limit. Again, I can't see anything from Studio Retail's checks – or anything about the way Mrs G was managing her account at the time which might have alerted it to any potential problems Mrs G was having with her finances or that she couldn't afford the credit offered in relation to the first three increases. I think the checks Studio Retail did in relation to those increases were sufficient.

I am less satisfied that Studio Retail did sufficient checks in relation to the fourth and final increase in June 2020. At this point, Mrs G had a credit limit of £750 which was increased to £950. I note from the checks Studio Retail did at the time that Mrs G had been in 'persistent debt' for the eight months preceding this increase. Studio Retail's assessment of the affordability of Mrs G's credit had also decreased in the preceding few months and she'd missed a couple of payments, too.

I think this was enough for Studio Retail to query whether Mrs G would be able to afford a further increase in her credit. I think at this stage Studio Retail ought to have asked Mrs G about her income and expenditure to better assess whether she would be able to affordably repay any further credit.

I don't know for certain what Studio Retail would have found out if it had asked Mrs G about her income and expenditure. At my request, our adjudicator asked Mrs G to supply copies of her full credit file and bank statements from the time. This would have helped me gain an understanding of what Studio Retail might have seen if it had asked more questions. But Mrs G didn't provide the documents I asked for. Without that information, I can't fairly say that Studio Retail did anything wrong when it lent more to Mrs G in June 2020, or at any other time.

### **My final decision**

I cannot fairly say that Studio Retail Limited, trading as Studio, did anything wrong when it lent to Mrs G, so I do not uphold her complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 11 April 2023.

Sally Allbeury  
**Ombudsman**