

The complaint

Mr B says Studio Retail Limited ("Studio Retail") irresponsibly lent to him. He has requested that interest and late payment charges he paid on his shopping account be refunded.

What happened

This complaint is about a shopping account provided to Mr B by Studio Retail Limited ("Studio Retail"). The account was opened in April 2020 when Mr B was given an initial credit limit of £150. This limit was increased four times until it eventually reached £925 in June 2021.

Mr B says that Studio Retail shouldn't have granted him the credit limit increases as he was in financial difficulties by then. Studio Retail said it carried out appropriate checks given the relatively low level of initial credit given. It also said the credit limit increases were granted based on affordability scoring and checking with credit reference agencies.

At first our adjudicator didn't think Studio Retail had acted unfairly. But after Mr B sent in some further information about his financial situation, he decided to partially uphold Mr B's complaint.

On 25 January 2023 I issued a provisional decision explaining why I didn't think Mr B's complaint should be upheld. I said Studio Retail didn't act unfairly in approving the opening of the account. I also said that because the details Mr B had given us about his financial circumstances were current rather than from the time of the credit limit increases, I didn't have enough evidence or information to make a finding about whether or not Studio Retail had made a fair lending decision in respect of the credit limit increases.

On 27 February 2023 I issued a further provisional decision where I partially upheld Mr B's complaint based on our adjudicator's finding, having been provided with bank statement information by him. I set out an extract below:

"I consider it's reasonable to place significant weight on the bank statement information Mr B has now provided to us. I've seen that before August 2020 Mr B seemed to be managing his finances reasonably well. But after that I can see that the level of outgoing from his bank account increases significantly. In the three months leading up to November 2020 credit limit increase, Mr B's average monthly spending and commitments were costing him an average of around £1400 per month, against an average income of around £650 per month. I can also see that the disparity between his income and expenditure continued to worsen in the months that followed. This would I think be at least partly explained by Mr B having stopped working in October 2020, after which he was wholly reliant on state benefits.

I therefore think that had Studio Retail taken steps to find out more about Mr B's committed expenditure, such as his living costs, it would very likely have recognised that by November 2020 Mr B's financial position was deteriorating and he was struggling to manage his credit with Studio Retail alongside his day-to-day living expenses. That means he didn't have

enough disposable income to sustainably afford the credit limit increases from £450 to £800.

It follows that I am issuing this decision as a further provisional decision in which I am partially upholding Mr B's complaint. I am currently persuaded that Studio Retail acted unfairly in granting Mr B a credit limit increase in November 2020."

A copy was sent to both parties. Mr B has acknowledged receipt and has nothing further to add. I have not received a response from Studio Retail. The due date for receiving any further evidence or information was 13 March 2023.

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 won't be departing from my findings in my second provisional decision. Having already set out detailed reasons for partially upholding Mr B's complaint, I have nothing further to add in relation to the merits of this complaint.

But I would once again remind Studio Retail that Mr B has told us that he is currently homeless and that his outstanding debt with Studio Retail is having an impact on his mental health. I would also again request that Studio Retail takes all necessary steps to assist Mr B in his efforts to find a fair and manageable way to pay back the balance that is still owing, properly taking into account his current circumstances.

I therefore partially uphold Mr B's complaint.

Putting things right – what Studio Retail needs to do

- Rework Mr B's account to ensure that from November 2020 onwards interest is only charged on balances up to £450, including any buy now pay later interest (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Studio Retail should contact Mr B to arrange an affordable repayment plan. Once Mr B has repaid the outstanding balance, it should remove any adverse information recorded on his credit file from November 2020 onwards.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr B, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Studio Retail

should also remove any adverse information from Mr B's credit file from November 2020 onwards.†

†HM Revenue & Customs requires Studio Retail to take off tax from this interest. Studio Retail must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons I've already given, I am partially upholding Mr B's complaint about Studio Retail Limited, which should put things right in the way that's set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 April 2023.

Michael Goldberg

Ombudsman