

The complaint

Miss P complains that Next Retail Limited ('Next') irresponsibly gave her a running account credit facility that she couldn't afford.

What happened

In May 2018, Miss P applied for a catalogue shopping account through Next. She was given an initial credit limit of £250. The credit limit was increased to £2,000 in December 2018, decreased to £600 in February 2019, then suspended in March 2019. The credit limit was increased again in March 2020 to £1,500 and suspended again in June 2020. A default was issued on the account in December 2021.

In 2022, Miss P complained to Next to say that the account shouldn't have been opened for her because it wasn't affordable.

Our adjudicator didn't recommend the complaint be upheld. Miss P didn't agree. So, the complaint has been passed to me to decide.

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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Next 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.

Miss P's complaint is that Next irresponsibly gave her a running account credit facility that she couldn't afford. It is not straightforward trying to determine affordability because I have not seen Miss P's full credit file history from the times in question.

Next has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer at every lending decision. Next told us that Miss P's account was assessed on a monthly basis from the credit check information and the credit limit was set using that information and their observation of Miss P's management of the account. I have noted that Next have responded to observed changes in Miss P's finances by raising, reducing and suspending the credit over time on the account. So, the evidence supports what Next have told us.

Were the checks performed by Next proportionate and sufficient? It's difficult to say without a full credit file, but there is some evidence that they may have been, largely. But even if they hadn't been, I don't think better enquiries would have caused Next to think the initial credit limit or the subsequent credit increases were unaffordable.

I say this because the credit was provided when there Next's credit checks suggested the lending was affordable. The initial credit limit was reasonably modest and the repayments for the credit would also have been modest. And Miss P's statements show that her income was regular and not modest.

And Miss P managed her account such that in general she was not using anywhere close to the credit limit that Next had been offering her. And her payments were largely at or over the minimum payments required and not late. There were some accounting issues on the account with items not received but these seem to have been administrative issues rather than warnings for Next of financial difficulty for Miss P. And so, based on the evidence Next had at the times they made lending decisions, there seems not to have been sufficient reason for them to have made more searching enquiries into Miss P's expenditure.

And, as I've said, there is evidence that Next reacted to the credit information and account management information it did have by reducing and suspending credit. So, it can't be said that Next were only interested in increasing Miss P's indebtedness.

In reaching my decision I have considered the whole file. Having done so, I have seen insufficient evidence to think that more thorough affordability checks would have led Next to think that it should not have provided the credit it did at the times it did.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 8 June 2023.

Douglas Sayers
Ombudsman