

The complaint

Mr M complains that Next Retail Limited irresponsibly provided him with a credit account that he couldn't afford.

What happened

In November 2019, Mr M applied online for, and obtained, a Next credit account. The credit limit was set at £600 and no increases to the limit were applied.

In 2023, Mr M complained to Next that it had lent to him irresponsibly, causing him financial difficulty and stress.

Next didn't uphold the complaint. It said it had carried out appropriate checks which showed Mr M could afford the credit it had provided him with.

Unhappy with Next's response, Mr M complained to this service. Our investigator recommended that Mr M's complaint shouldn't be upheld. They believed, in essence, that Next had carried out proportionate checks in 2019 and made a fair lending decision at that time.

Mr M didn't agree with the investigator's findings. He reiterated that he felt Next had lent to him irresponsibly. As such, the complaint was passed to me to review afresh.

On reviewing the complaint, I wrote to the parties explaining that I didn't intend to uphold the complaint, albeit for slightly different reasons than those given by the investigator. In summary, while I didn't believe that Next had carried out proportionate checks in 2019, I also didn't think Mr M had lost out as a result.

Despite being informed of my provisional findings on the matter, Mr M asked me to issue a formal 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.

Having done so, I don't uphold this complaint. I'll explain why.

Next was required to complete proportionate affordability checks prior to advancing credit to Mr M. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, Next needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Mr M's personal circumstances.

I can see that Next did obtain some information about Mr M's financial circumstances in 2019 from CRAs. This showed, among other things, that Mr M was broadly coping financially

and with his existing levels of credit. The CRA investigation showed he hadn't had a default recorded against him for at least 23 months before the credit application.

However, I can't see that Next held any information about Mr M's level of income. I think such information would have formed part of any reasonable and proportionate affordability checks Next ought to have carried out at that time. After all, Mr M would have been able to borrow up to £600 as a result of Next's lending decision. Without any information whatsoever about Mr M's income, I'm unsure as to how it could have reasonably assessed his ability to repay the credit. It was possible, as far as Next was aware, that Mr M had little or even no income. Because of this, I'm not persuaded that Next's checks were appropriate in the circumstances.

That said, before upholding the complaint I'd need to be satisfied that Mr M lost out because of the lack of adequate checks Next had carried out. And I'm not satisfied that he did. I say that because I'm not persuaded that the further checks I've mentioned would have revealed anything of concern for Next. While I think Next should have enquired as to Mr M's income, he's told us that his net monthly income in 2019 was around £1,440. The bank statements Mr M has provided from 2019 indicate to me that he often earned slightly more than that amount and that this was a regular and stable income. I have no reason to think this would have been insufficient income to meet the credit advanced by Next, his credit commitments elsewhere and his essential household spending.

So, I don't think Next acted unfairly in advancing £600 worth of credit to Mr M even though it didn't carry out sufficient checks at that time.

Mr M's sent us his credit report from May 2023, and I thank him for this. But I don't consider that the level of credit advanced, or the other surrounding circumstances, warranted Next requesting, or having sight of, a credit report before making its lending decision.

I've also thought carefully about what Mr M's told us regarding his gambling activities. But I can't see that he made Next aware of those issues at the time of the lending in 2019 or that it ought to have been aware of his gambling activities through its own checks. Although I acknowledge the bank statements Mr M's sent us seem to show he was gambling regularly, I don't consider the circumstances around the borrowing meant Next ought to have had sight of those statements prior to advancing the credit to him.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 October 2023.

Nimish Patel
Ombudsman