

## **The complaint**

Miss F complains that Studio Retail Limited irresponsibly gave her a running account credit agreement which she couldn't afford.

## **What happened**

Studio gave Miss F two running account credit agreements, one in October 2017 and another in October 2020. Miss F's complaint form to the Financial Ombudsman Service has focussed her dissatisfaction on the second credit agreement in October 2020.

When she complained to Studio, it didn't uphold any part of her complaint and said it hadn't done anything wrong. Miss F referred her complaint to the Financial Ombudsman where it was looked at by one of our investigators.

Our investigator thought Studio wasn't wrong to have given Miss F the first account in 2017 but thought it shouldn't have granted her the second account in October 2020. Studio didn't agree with our investigator. It said its checks showed Miss F could afford the credit account.

## **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 irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Studio is aware of its obligations under the relevant rules, so I don't intend to repeat them here.

Miss F has responded to our investigator's view saying she accepts the recommendation. The investigator didn't recommend that Studio took any steps to put things right for Miss F in relation to the first account. As Miss F has accepted this recommendation, there isn't a continuing dispute about the first account opened in October 2017. Therefore, I've focussed my decision on the second account opened in October 2020 which remains in dispute.

Before agreeing to give Miss F the account in October 2017 Studio checked Miss F's income and expenses. The information it has provided shows it worked out she'd be left with £155 of disposable income. Studio also carried out a credit search which showed Miss F had recent adverse information on her credit file and a low balance on unsecured credit.

At this point, it's vital to state that Miss F defaulted on her previous account with Studio. Studio's records show Miss F fell into financial difficulties keeping up with her repayment on that account. The account was defaulted and sold to a third-party debt purchaser. That account was defaulted in October 2019, and it appears Miss F hadn't settled that account and was still in repaying in October 2020 when Studio decided to lend to her again.

Studio needed to take into account, not just what its checks showed about Miss F at the time but the relevant information it already knew about her. It suggests the results from the credit reference agency didn't show Miss F had a default, but its own records showed that she had

defaulted on an account with it. Studio has also said in response to the investigator's view that its policy at the time was to not lend to customers who had defaulted on a previous account with it. So, Studio knew Miss F had defaulted on a previous account only 12 months before it decided to lend to her. This is regardless of what its search into her credit file showed. Despite, this information Studio lent to Miss F.

There was sufficient information for Studio to be concerned about Miss F's ability to keep up with repayments on the account based on what it knew and, in those circumstances, it wasn't responsible to lend to Miss F again so soon after she had defaulted on an account with it. So, Studio lent when it shouldn't have done, and it needs to put things right.

## **Putting things right**

### **what Studio needs to do**

- Remove all interest, fees and charges added to Miss F's running account opened in October 2020.
- Rework the account to adjust Miss F's account balance based on the above, and all payments Miss F paid should be treated as payments towards the adjusted balance.
- If after doing the above Miss F has made overpayments, Studio should add interest at 8% per year simple on the overpayments sums from the date they were paid, if they were, to the date of settlement†.
- If there's still balance outstanding, then Studio should agree a suitable repayment plan with Miss F.
- Remove any adverse information recorded on Miss F's credit file as a result of the interest and charges on this account once Miss F has fully repaid any adjusted outstanding balance.

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

## **My final decision**

For the reasons given above, I uphold Miss F's complaint in part and direct Studio Retail Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 15 November 2023.

Oyetola Oduola  
**Ombudsman**