

The complaint

Ms S complains that Frasers Group Financial Services Limited (Studio) lent to her irresponsibly. Ms S says she's in financial difficulties and she can't afford the repayments. This in turn has had an impact on her already poor health and financial situation. To put things right she would like interest and charges stopped and refunded and a reasonable repayment plan put in place.

What happened

Ms S opened a catalogue shopping account with Studio in November 2017 with a credit limit of £125. Between then and January 2022, Studio increased her credit limit as follows:

No.	Date	Credit Limit
Account opening	21-Nov-17	£125
1	21-Apr-18	£300
2	21-Oct-18	£350
3	21-Feb-19	£475
4	21-Oct-19	£600
5	21-Nov-20	£1,000
6	21-Jan-22	£1,500

In April 2023, Ms S complained to Studio about the affordability of the lending. After considering the complaint, Studio didn't agree that the lending it had extended to Ms S was unaffordable. So, it didn't uphold her complaint.

Ms S was unhappy with this outcome and so referred it to this service to consider. One of our investigators considered the complaint but didn't uphold it as she believed the affordability checks Studio carried out were reasonable and proportionate.

Ms S was unhappy with this response and explained that she had only been on benefits during the time that Studio lent to her, as well as having multiple other debts and a CCJ. Given this she asked for the case to be referred to an ombudsman.

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 explain how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Ms S' complaint. The key questions for me to think about while looking at Ms S' complaint are:

- Did Studio complete reasonable and proportionate checks to satisfy itself Ms S would be able to repay the lending in a sustainable way?

- If so, did it make a fair lending decision?

I've considered this carefully, and on the evidence available to me I don't think Studio have acted unfairly. I'll explain why.

Studio was required to carry out reasonable and proportionate checks to assess Ms S' ability to afford the credit limit it intended to offer. It had to be satisfied she could repay it sustainably over a reasonable period without causing financial difficulties.

The regulations don't set out what checks a lender must perform, but say the checks should be proportionate, considering things like the type of credit, the amount borrowed, the duration of the credit agreement and the total cost of the credit. The lender must consider the information it gathers to make a fair lending decision ensuring repayments can be made sustainably without having to borrow further.

Initial Lending

Studio has provided a copy of the credit check it completed to determine affordability at the point the account was opened. Studio relied on this information to determine what an affordable credit limit would have been.

The credit check revealed that there had been a CCJ around 2 years before the account was opened, and that there were no other accounts that were in arrears.

I've thought carefully about the checks Studio completed and given the relatively modest limit of £125 involved, I'm satisfied it's shown that it conducted reasonable and proportionate checks before agreeing to lend to Ms S in 2017. So, based on what I've seen I think Studio's initial decision to lend to Ms S was fair.

Limit increases

Studio has said it carried out checks on Ms S before each of the increases since the account opened. It based its decision to increase her limit on both external and internal data. It gathered information about how many and what type of accounts Ms S had elsewhere and looked at the conduct of her account with it. Based on this information it took the decision to increase the limit available to Ms S.

Having carefully considered the information provided by both Studio and Ms S, I don't think Studio irresponsibly lent to Ms S.

Looking at the limit increases up to £600 in October 2019, I think the checks completed were reasonable in proportion to the lending and the account conduct. There was nothing about the conduct of the account or the data gathered externally that should have put Studio on notice to complete further checks for the level of lending involved.

In November 2021 and January 2022 Studio increased the lending limit to £1,000 and £1,500 respectively. These are relatively big jumps in lending, and I might have expected Studio to have completed a slightly more thorough check including asking more about Ms S' income and expenditure. I can't see it did this, so I asked Ms S for a copy of her bank statements from the time and a copy of her credit file.

Having carefully considered the information Ms S has provided, I think it's unlikely Studio would have made a different decision had it made more thorough checks. I say this because although there are a high number of transactions on Ms S' account, these appear to be day

to day spending and there aren't excessive payments to other creditors. I can see Ms S consolidated some smaller debts in to one larger debt in May 2021 which isn't uncommon. At the time of the limit increases Ms S appeared to be managing to service this debt as well as pay for everyday living expenses.

I can see that Ms S did have benefit payments going into her account as well as regular payments from third parties. Even considering what Ms S has said about receiving benefits on behalf of her daughter and passing these on, she didn't use her available overdraft and ended months with her account comfortably in credit. So, I think Studio could have reasonably concluded at the time of the increases that Ms S would be able to sustainably afford the repayments for the higher limits.

This, alongside her good account management with Studio and relatively good recent credit record, I think it's more likely than not that Studio would have still made the decision to increase Ms S' available limit even if it had done further checks. And given the information available to me I don't think this decision would have been unreasonable. So, I don't think Studio has unfairly or irresponsibly extended credit to Ms S.

Financial difficulties

Looking at Ms S' credit file it appears her financial difficulties may have begun in late 2022. However, this was after the lending decisions were made, so I can't reasonably conclude that Studio should have been aware of this at that time. However, once a business is aware of a customer's financial difficulties, we would expect them to act fairly.

I can see Ms S contacted Studio in April 2023 and set up a payment arrangement for £1 a month in May 2023. And it appears from that point, it is no longer applying interest to the account. Given this, Studio has acted as I would expect where a customer contacted it about financial difficulties.

Studio has let me know that the payment arrangement came to an end in October 2023, and it hasn't had any success when trying to contact Ms S since. Given this, I would encourage Ms S to get in touch with Studio to discuss the next steps for the account.

My final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 20 February 2024.

Charlotte Roberts
Ombudsman