

## **The complaint**

Mr S complains that Next Retail Limited trading as Next Online irresponsibly gave him a running account credit agreement he couldn't afford.

## **What happened**

Mr S was given a catalogue shopping account with Next in March 2005, his credit limit was decreased in November 2016 and then increased to £5,000 in June 2017. Mr S accepts the Financial Ombudsman Service can't consider the events of this complaint prior to June 2017, that is the initial granting of the account, and any limit increases prior to June 2017.

Our investigator looked at the credit limit increase in June 2017 and thought Next should have taken its checks further before agreeing that increase. She said had Next carried out proportionate checks before increasing Mr S' limit it would have seen he was dependent on credit, and it wouldn't have lent.

Next didn't agree and asked for an ombudsman's 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.

We've set out our approach to irresponsible and unaffordable lending on our website. I've used this approach when considering Mr S' complaint.

Before granting credit to Mr S, Next needed to ensure it completed proportionate affordability checks. What is considered proportionate will vary depending on the circumstances of the lending. But in deciding what would be proportionate, Next needed to consider things such as (but not limited to): the amount of credit, the size and frequency of any regular repayments, the cost of credit and the consumer's circumstances.

In November 2016, Mr S' credit limit was reduced by Next from £5,000. Next hasn't expressly said why it reduced Mr S' credit limit at the time and I haven't seen any evidence to show Mr S requested a credit limit reduction. I think it's likely Next had some concerns about Mr S' affordability and indebtedness at the time. I also note that at the time of the limit reduction, Mr S remained over the credit limit throughout the period Next granted him that credit limit.

Mr S hadn't fully repaid the excess on his credit limit when Next increased his limit from £3,750 to £5,000. Next hasn't provided any evidence that it carried out any independent affordability checks before this increase. It has repeatedly said Mr S had 24 months of making payments and out of 75 repayments, Mr S made 50 repayments that were over the minimum repayment. From what I've seen, this is Next's justification for the credit limit increase in June 2017.

I've looked at Mr S' repayment history in the run up to this credit limit increase, apart from being over his agreed limit for months prior to the credit limit, he's mostly made small repayments towards his credit balance. Next argues Mr S made repayments over the minimum payments but from what I can see, the repayments were only above the minimum payments by a couple of pounds. It isn't reasonable to argue that this repayment history shows Mr S had demonstrated a strong repayment history.

In the circumstances, Next didn't take sufficient steps to satisfy itself Mr S could repay his credit in line with regulations. Next should have been looking to understand Mr S' circumstances including things like his income, living costs and credit commitments.

In the absence of any evidence from Next demonstrating it carried out proportionate checks, I've relied on Mr S' bank statements from around the time of this limit increase. From what I can see, Mr S was reliant on his overdraft to survive financially, in addition to being reliant on his overdraft, Mr S was also repaying other loans and at least a credit card account.

I think it's reasonable to conclude Mr S couldn't afford to meet his repayments when due without the need to borrow further, as such he wasn't in a position to afford the credit limit increase without suffering financial detriment as a result.

Next increased Mr S' credit limit on 28 June 2017 when it shouldn't have and it needs to put things right.

### **Putting things right**

To put things right, Next should:

- Remove interest fees and charges added above £3,750.
- Rework the account to establish what Mr S would have owed once the account has been adjusted.
- Any payments Mr S made since 28 June 2017 should be applied to the adjusted balance.
- If the rework of the account results in Mr S having repaid excess, Next should add 8%\* interest on the excess from the date of payment to the date of settlement
- If the rework results in an outstanding balance, Next should be sympathetic with Mr S and agree a suitable repayment plan with him.
- Once Mr S has brought his account within the credit limit of £3,750, Next should remove any adverse information recorded on Mr S' credit file from 28 June 2017 onwards.

\*\*HM Revenue & Customs requires Next to take off tax from this interest. Next must give Mr S a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons set out above, I uphold Mr S' complaint in part and require Next Retail Limited trading as Next Online to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 February 2024.

Oyetola Oduola  
**Ombudsman**