

## **The complaint**

Mr S has complained that Frasers Group Financial Services Limited trading as Studio, acted irresponsibly when it provided him with a credit card, and multiple limit increases between 2013 and 2017.

## **Background**

Mr S opened a credit card account with Studio in June 2013. The limit was increased and decreased a number of times over the following years until May 2017 when the final increase brought the card's limit to £1,880. Mr S has said that at the time he applied for the credit card, and for all the subsequent limit increases, the credit was unaffordable for him. He has said he was struggling to manage his existing credit accounts and was becoming increasingly reliant on payday lenders to meet his monthly repayments. He would like Studio to refund all the interest and charges applied to the account and to remove any linked negative markers it has applied to his credit file.

Studio has confirmed that due to the passage of time it has no information about Mr S' specific application or approval in June 2013. However, it has said that it did have systems in place that would have run proportionate checks to verify Mr S' circumstances at the time and ensure the credit would be affordable and sustainable for him. So, it didn't think it wrong to provide him with the account.

While it couldn't provide any specific evidence to anything prior to 2017, Studio was able to provide some limited information about Mr S' account history prior to the final limit increase in May 2017. It felt this demonstrated that the account had been held in generally good order and there was nothing to indicate Mr S was becoming overly reliant on credit or that he was struggling to maintain his account. So, it didn't think the final lending decision was inappropriate and it didn't uphold his complaint.

Unhappy with Studio's response Mr S brought his complaint to our service. One of our investigators looked into it already. She found that there was insufficient evidence from either Mr S, or Studio, to show that the initial lending decision in 2013 was inappropriate. And she also confirmed the same applied to the two limit increases in 2016, as she had no evidence to consider in relation to those dates either. However, she did think that it was unlikely the final limit increase in May 2017 was affordable. So, she upheld the complaint from that date and asked Studio to rework the account balance as though the final limit increase had never happened.

Mr S accepted the investigator's findings, but Studio didn't. It remained of the opinion that the lending decision in May 2017 was appropriate and asked for an ombudsman to review the case again and so it's been passed to me for consideration.

## **My findings**

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'm in agreement with the findings of our investigator and think the final limit increase in May 2017 was unaffordable and had Studio run sufficiently thorough and proportionate checks it wouldn't have agreed to give Mr S the additional credit.

As mentioned above there is little to no evidence from either party that can be relied on to show the lending decision in 2013 was inappropriate. The same is true for the limit increases in 2016. Without a clear understanding of what checks were run, or indeed what Mr S' actual circumstances were at the time, I can't say that Studio was wrong to provide him with the credit card account in the first instance or the 2016 limit increases. So, I can't uphold those elements of his complaint.

However, Mr S has been able to provide us with some bank statements from January 2017 onwards. And Studio has also provided some historic account information that shows how his account had been maintained in the months prior to the May 2017 lending decision. Looking at these I can see that in the months leading up to the May 2017 limit increase Mr S was repaying multiple payday loans and had other credit cards that he was actively using and trying to repay. And having reviewed the account activity I can see a missed payment and two limit decreases within the six months prior to the limit being increased. So, I think there was sufficient evidence available to show that Mr S was becoming overly reliant on credit and that the final limit increase was likely to be both unaffordable and unsustainable.

I appreciate that Studio has said that there was only one missed payment in the six months prior to the lending increase and that its internal systems had classified Mr S as 'medium risk'. However, it's not sufficient to just consider whether or not something appears to be affordable on paper, businesses are also required to consider whether or not the lending will likely be sustainable longer term. And the behaviour on Mr S' account, a missed payment and two quick successive limit decreases, indicated that a more thorough understanding of what was happening with his finances was likely necessary. And had Studio asked further questions I think it would have seen a pattern of behaviour that indicated Mr S was starting to struggle with his finances.

Having reviewed Mr S' bank statements, the fact his account fell into arrears again shortly after the final limit increase is unsurprising. By early 2019 Mr S had defaulted on his Studio account, and it was eventually sold onto a third-party debt collector.

Although there is little evidence to consider, I do think the bank statements Mr S has provided, along with the account history from Studio, show that the final limit increase in May 2017 was unaffordable and unsustainable and shouldn't have been approved. Therefore, I uphold Mr S' complaint from that date onwards.

### **Putting things right**

In order to put things right Studio should rework Mr S' account as though the final credit limit increase in May 2017 had never been granted. This means it should:

- remove any interest and charges incurred after May 2017 as a result of the limit increase
- only add interest accrued on the balance up to the credit limit of £1,630 this being the credit limit before May 2017.
- work out how much Mr S would have owed after the above adjustments. Any repayment Mr S made since May 2017 should be used to reduce the adjusted balance.

- If this clears the adjusted balance any funds remaining should be refunded to Mr S along with 8% simple interest\* - calculated from the date of overpayment to the date of settlement.
- If after all adjustments have been made Mr S no longer owes any money then all adverse information regarding this account should be removed from the credit file from May 2017.
- Or, if an outstanding balance remains, Studio should arrange an affordable payment plan with Mr S for the outstanding amount. As the debt was sold to a third party, Studio should either repurchase the debt or liaise with the debt collection agency to ensure the above steps are undertaken. Once Mr S has cleared the balance, any adverse information should be removed from Mr S' credit file.

\*HM Revenue & Customs requires Studio to deduct tax from any award of interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

### **My final decision**

For the reasons set out above I partially uphold Mr S' complaint against Frasers Group Financial Services Limited trading as Studio.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 February 2024.

Karen Hanlon  
**Ombudsman**