

## The complaint

Mr C complains that Studio Retail Limited (“Studio”), formerly Frasers Group Financial Services Limited, was wrong to increase the interest rate on his account and irresponsibly lent to him. He has asked for the account to have the interest frozen so that he can pay off the account.

## What happened

This complaint is about a catalogue shopping account provided by Studio to Mr C. The account was opened in February 2018 with Mr C being given an initial credit limit of £100. This limit was then increased to £200 in May 2018, £350 in October 2022, £475 in January 2023 and then £625 in April 2023.

Mr C says he’s unhappy that Studio decided to increase the interest on his account due to his risk profile but that it had nevertheless provided him with credit limit increases.

In my provisional decision dated 26 January 2024 I explained why I wasn’t intending to uphold this complaint, be it from the October 2022 credit limit increase or from a different point. Essentially, I thought the information I’d seen about Studio’s credit checks plus the way Mr C was using his account, wasn’t enough to suggest that the opening credit or each of the credit limit increases had been unaffordable for him. I set out an extract below:

*“Dealing first with the question of the interest rate change, I agree that as long as Mr C was properly notified by Studio, it was open to it to change the contractual rate. It was equally open to Mr C to reject the rate increase. Studio’s letter telling him about the rate change explained that he could do that if he wished to. If he did that he would keep his existing rate for the purpose of repaying the account but would not be able to use the account any further. I therefore agree that Studio acted fairly when notifying Mr C about the interest rate change.*

*I realise that Mr C is frustrated about what he sees as an inconsistency in that Studio has increased his credit limit several times whilst his overall credit profile rating has improved. But he had the opportunity to take action at the time if he wished to.*

*Studio says it acted as a responsible lender when opening Mr C’s account and increasing his credit limits. Whilst our investigator has set out why she considers Studio ought not to have granted Mr C his third credit limit increase, in October 2022 when it went up to £350, I don’t currently agree that Studio acted irresponsibly. I will explain why.*

*In making my decision I’ve looked at the overall pattern of Studio’s lending history with Mr C, so as to see if there was a point at which it should reasonably have seen that further lending was likely to become unsustainable, or otherwise harmful. If so, that would mean Studio should have realised that it would be wrong to further increase Mr C’s credit limit at that point.*

*We only have information on Mr C's financial circumstances at the point of each credit limit increase which is based on the information Studio obtained using credit reference agency data. Studio says Mr C wasn't viewed as being a customer with a potential risk of having problems with his account. Whilst I haven't seen Mr C's credit report, I've noticed that his level of borrowing with other lenders had increased from 3 to 9 accounts from the time the account was opened up to the point of the third credit limit increase. Studio says there were no arrears on any of those other accounts.*

*I also think it's important to take into consideration how Mr C was managing his purchases and level of payments to his Studio account. Our investigator was minded to uphold Mr C's complaint at the point where his credit limit was increased to £350 in October 2022. This was because Mr C was having difficulty staying within his £200 credit limit before then. Having looked very carefully at Mr C's account history and considered what Studio has said in response, I tend to disagree.*

*I've seen that Mr C had missed making a payment on one occasion which I think taken on its own isn't enough to suggest that Mr C might be getting into difficulty with his account. I also see that Mr C had a long history of going over his previous credit limit of £200. Often this was due to interest being added to the account, but otherwise the amount rarely exceeded £20 and only exceeded £30 on three occasions. And I've kept in mind that once Mr C's credit limit was increased to £350, and then later to £475 and then again to £625, he seemed to be managing his account well. For example, he didn't use the full amount of his available credit and didn't incur late fees.*

*So, given that we have little detail about Mr C's wider financial circumstances at the time – Mr C was asked about this but didn't provide us with details - I don't currently consider I'm able to uphold Mr C's complaint. I think it's likely that the account was affordable to him prior to the increase to £350.*

*It follows that based on the information I've seen so far, I don't currently think that Studio acted unfairly in respect of the third credit limit increase or the earlier or later ones."*

Mr C is unhappy with my provisional finding. He has reiterated his concern about Studio granting him more credit yet also telling him it would be increasing his interest rate.

### **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.

Studio will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I understand that the change in outcome is especially frustrating for Mr C. He remains unhappy about Studio's decision to increase his interest rate whilst still increasing the level of credit available to him.

The one point I would add to my earlier comments is that Mr C's credit limit was last increased in April 2023. So, given that Studio wrote to him in June 2023 about the rate change in view of his circumstances, it didn't grant him any more increases after that which I would say is consistent with having concerns about Mr C's ability to make repayments on his account.

I should also point out that Studio's decision would likely have been informed by a number of factors around Mr C's wider financial circumstances and how he was managing them, and not only his account usage with Studio.

I therefore still consider that Studio acted reasonably when notifying Mr C of the interest rate change.

I also still don't think that Studio acted unfairly in granting the opening credit and credit limit increases.

I am sorry to have to disappoint Mr C on this occasion.

### **My final decision**

For the reasons I've given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 March 2024.

Michael Goldberg

**Ombudsman**