

The complaint

Miss G complains, via a third party, that Next Retail (“Next”) lent to her irresponsibly

What happened

In August 2020 Miss G applied for an account with Next which was granted with a credit limit of £300. This credit limit was never increased.

In April 2021, Next suspended the credit limit when data from the credit reference agency (CRA) they used showed that there had been a decrease in Miss G’s affordability score. And two months later, Next registered a default amount of £342, after Miss G stopped making payments.

In December 2022 Miss G complained to Next that it had lent to her irresponsibly.

In January 2023 Next issued Miss G a final response letter (“FRL”). Under cover of this FRL Next said it was satisfied it had done nothing wrong in approving Miss G’s account application or in granting her a credit limit of £300.

Unhappy with Next’s FRL, Miss G complained to our service.

Miss G’s complaint was considered by one of our Investigators who came to the view that the complaint should be upheld as Next hadn’t conducted proportionate checks.

Next didn’t agree with the investigator’s view so the complaint has been passed to me for review and decision.

On 7 February 2024, I issued a provisional decision on this case. In summary I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint, but I’ve reached a different conclusion from that of our investigator.

I’ve summarised this complaint very briefly. But I want to assure both parties that I’ve reviewed everything on file. And if I don’t comment on something, it’s not because I haven’t considered it. It’s because I’ve concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Secondly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

Next 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.

In deciding to grant Miss G an account in August 2020 Next was obliged to carry out proportionate checks. What constitutes proportionate checks varies depending on the type and amount of credit being applied for (and being provided), the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Given the checks that Next says it undertook and what it says these checks 'uncovered' or didn't uncover, the relatively small credit limit offered (which at 5% gives a monthly repayment required from Miss G of £15) I'm satisfied that Next undertook proportionate checks before agreeing to grant Miss G an account in August 2020.

Miss G says that Next shouldn't have provided her with the account as she had a County Court Judgement ("CCJ") and defaults registered against other accounts. But when Next conducted these checks, the CCJ was over three years old and considered historical and three out of five live accounts she had were up to date in the previous 12 months. Next told us, and I've seen evidence to confirm this, that for the first six months, the account was managed well, with Miss G overpaying the minimum fee for three months. And in April 2021, Next suspended the credit limit after it had received adverse information from the CRA which I think was the correct thing to do.

Based on what Next has said and submitted I'm satisfied that it had due regard to the defaults and CCJ registered against Miss G before granting her an account and I'm satisfied it didn't – given the age of the CCJ and defaults and the credit limit granted – act irresponsibly in doing so. I've looked at Miss G's credit file and whilst it did show some defaults prior to application, these were 3 years old and considered historical. And in any event, adverse information doesn't mean someone shouldn't be given credit.

So, taking all of the circumstances of this complaint into account, I don't agree that Next acted irresponsibly and I won't be asking it to do anything.

I know that Miss G will be disappointed with my decision. But having considered everything that the parties have said and submitted I'm simply not persuaded, in the particular circumstances of this case, that Next did anything wrong in providing Miss G with credit and I'm satisfied the checks that they conducted were proportionate to the amount of credit they provided.

Next responded to my provisional decision to say they agreed with it and Miss G responded with no new evidence to add.

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.

As I haven't any new evidence to consider from either Next or Miss G, I see no reason to depart from my provisional findings and I now confirm them as final.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 25 March 2024.

Paul Hamber
Ombudsman