

The complaint

Miss M complains that Next Retail Limited trading as Next Online (“Next”) irresponsibly provided her with, and increased the credit limit on, a credit account (“account”).

What happened

- In February 2020 Miss M opened a pay with order account with Next.
- In November 2021 Miss M applied for a credit facility on her account, which was granted by Next with an initial limit of £900.
- In February 2023 Next increased Miss M’s credit limit to £1,500.
- In June 2023 Next increased Miss M’s credit limit to £3,000.

In January 2024 Miss M complained to Next that it had lent to her irresponsibly.

In January 2024 Next issued Miss M with a final response letter (“FRL”). Under cover of this FRL Next said it didn’t believe it had acted irresponsibly in providing the initial credit limit or the subsequent increases to it. Unhappy with the response from Next, Miss M referred her complaint to our service.

Miss M’s complaint was considered by one of our Investigators who came to the view that it shouldn’t be upheld.

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

Having done so I can confirm that I’ve come to the same overall outcome as the investigator and for broadly the same reasons. There is also very little I can usefully add to what has already been said.

It’s clear that Miss M has very strong feelings about this complaint. She has provided detailed submissions in support of her view which I can confirm I’ve read and considered in their entirety. However, I trust Miss M will not take the fact that my findings focus on what I consider to be the central issues, and that they are expressed in considerably less detail, as a discourtesy. The purpose of my decision isn’t to address every point raised. The purpose of my decision is to set out my conclusions and the reasons for reaching them. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

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.

Next's decision to grant Miss M an initial credit limit of £900 in November 2021

In deciding to grant Miss M an account in November 2021 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.

Next says that it granted Miss M a credit limit of £900 after it had completed a credit search which showed Miss M had no county court judgements, no defaults and no late payments and that she wasn't over indebted.

Now I've not seen a copy of the credit search Next undertook. But having reviewed a credit report provided to our service by Miss M, dated February 2024, I'm satisfied that what Next says its credit search showed can be relied upon.

Given what Next's credit search showed and given what a credit limit of £900, if fully utilised, would have required by way of payments from Miss M I'm satisfied that Next's checks were proportionate and it didn't make an unfair or irresponsible lending decision in this respect.

Next's decision to increase Miss M's credit limit to £1,500 in February 2023

As a lending relationship continues over time and the level of credit increases, as here, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the consumer.

Next says that it granted Miss M an increased credit limit of £1,500 after it had considered "external data" and Miss M's account conduct to date, neither of which indicated any signs of financial difficulty.

Given what Next says its checks involved, what I know about Miss M's account conduct before February 2023 (including the payments she had made and when) and given what a credit limit of £1,500, if fully utilised, would have required by way of payments from Miss M I'm satisfied that Next's checks were proportionate and it didn't make an unfair or irresponsible lending decision in this respect.

Next's decision to increase Miss M's credit limit to £3,000 in June 2023

Next says that it granted Miss M an increased credit limit of £3,000 after it had considered "external data" and Miss M's account conduct to date, neither of which indicated any signs of financial difficulty.

Given what Next says its checks involved and what I know about Miss M's account conduct before June 2023 (including the payments she had made and when) I'm satisfied that Next's checks were proportionate and it didn't make an unfair or irresponsible lending decision in this respect.

I would also add that although Miss M says Next shouldn't have increased her credit limit in June 2023 to £3,000, from £1,500, I can't see that she ever made use of this increase, her balance, based on records provided by Next, never exceeding £1,200.

Other observations

I don't dispute that Miss M may have been able to manage her account in the manner that she has because of financial support she has been able to secure from elsewhere, including from family. But I can't hold Next responsible for being unaware of this given what its proportionate checks 'found' and given that Miss M never advised it, until very recently, of her 'true' financial position and circumstances.

I appreciate Miss M will be disappointed 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 other words, I'm satisfied that Next didn't act unfairly or unreasonably in granting Miss M an initial credit limit of £900 or in granting the two credit limit increases that it did, when it did.

However, if Miss M is now in financial difficulties I would remind Next of its obligations to treat her fairly and with due consideration and forbearance.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 11 July 2024.

Paul Hamber
Ombudsman