

## **Complaint**

Miss C has complained about a catalogue shopping account Frasers Group Financial Services Limited (trading as “Studio”) provided to her.

She says the catalogue shopping account was irresponsibly provided to her as it was unaffordable.

## **Background**

In May 2020, Studio provided Miss C with a catalogue shopping account which had a credit limit of £300. Miss C wasn’t provided with any credit limit increases.

One of our investigators reviewed what Miss C and Studio had told us. And he thought Studio hadn’t done anything wrong or treated Miss C unfairly in relation to providing the catalogue shopping account. So he didn’t recommend that Miss C’s complaint be upheld.

Miss C disagreed and asked for an ombudsman to look at the complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Miss C’s complaint. I’ll explain why in a little more detail.

Studio needed to make sure it didn’t lend irresponsibly. In practice, what this means is Studio needed to carry out proportionate checks to be able to understand whether Miss C could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Studio says it agreed to Miss C’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss C would be able to make the low monthly repayment that could be owed on this catalogue shopping account.

On the other hand Miss C says that she was already struggling and shouldn't have been provided with this catalogue shopping account.

I've considered what the parties have said.

What's important to note is that Miss C was provided with a revolving credit facility rather than a loan. And this means that Studio was required to understand whether a credit limit of £300 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £300 required low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Furthermore, I've seen records of the information Studio obtained from Miss C about her income and that was on the credit search carried out. And this information doesn't indicate to me that Studio ought to have realised that Miss C didn't have the funds to make the relatively low monthly payment that would be required for this catalogue shopping account.

I appreciate that Miss C says that her circumstances were worse than this and that she was struggling. I note that she says that her income ended up being reduced as a result of the pandemic and she ended up going into an individual voluntary arrangement ("IVA").

But Studio could only make a decision based on the information it had at the time and given the low amount of credit being granted in this instance, I don't think that it was unreasonable to rely on what she said about her income.

Furthermore as there was nothing else in the information gathered indicating that Miss C would not be able to make the payments necessary to repay what she could owe within a reasonable period of time at the lending decision was made, there is a reasonable argument for saying that Studio didn't need to do anything more.

Although I'm not wholly persuaded of this, at the absolute best, there may be an argument for saying that Studio perhaps ought to have done more to ascertain Miss C's actual living costs, rather than relied on estimates of this.

That said, having considered the information Miss C has provided us with on this matter, when what she was paying to her actual committed living expenses are added to her active credit commitments Studio knew about and deducted from her income, she, at the time at least, appears to have enough left over to make the repayments to what she could owe on this catalogue shopping account.

So I'm not persuaded that Studio going further would even have made a difference.

Overall and having considered everything, while I can understand Miss C's sentiments, I don't think that Studio treated Miss C unfairly or unreasonably when providing Miss C with her catalogue shopping account. And I'm not upholding Miss C's complaint. I appreciate this will be very disappointing for Miss C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 8 July 2024.

Jeshen Narayanan  
**Ombudsman**