

## **The complaint**

Mrs B complains that Freemans Plc, trading as Bon Prix, lent to her irresponsibly.

## **What happened**

Mrs B applied for a shopping account with Freemans in August 2021. She was initially provided with a credit limit of £750. In July 2022 Mrs B was offered an increase in her credit limit to £950, which she actively accepted a few days later.

In October 2023 Mrs B complained to Freemans that the lending had been unaffordable for her. She said she had been in a debt management plan at the time she applied.

Freemans didn't uphold Mrs B's complaint. Mrs B didn't agree with this decision, so she complained to this service.

Our investigator didn't think Mrs B's complaint should be upheld. As Mrs B didn't agree with the investigator's view, her complaint was passed to me to make a decision. I reviewed the complaint and reached the same overall conclusion as our investigator, but I made some different findings. I wrote to both parties to explain these findings and to give each of them a further opportunity to comment or provide other evidence.

Freemans responded to say it agreed with my decision and to add some further clarity to one point I had made in my provisional decision. Mrs B didn't respond.

## **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Mrs B's complaint.

Having done so, I have come to the same conclusion as our investigator. As explained, I issued a provisional decision to explain my thinking to both parties and to allow each party to provide additional information before I made my final decision. Mrs B didn't respond, and Freemans provided some more information. That information provided further context but didn't cause me to change my provisional decision. So, I see no reason to depart from my findings which are set out below.

Freemans needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs B could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount, Mrs B's borrowing history and her income and expenditure.

Freemans has provided evidence of the checks it completed when Mrs B applied for the account. Our investigator noted that these showed Mrs B had debts of around £3,500 but they appeared to be managed well. Our investigator also noted that Mrs B had defaults on her credit file but noted the most recent was over a year before she took out the account. Our investigator concluded that there was no evidence Mrs B was in current financial difficulty and based on this, combined with the credit offered being relatively low, our investigator thought the checks were proportionate and the limit offered appeared affordable and sustainable.

I don't agree that Freemans completed sufficient checks. The application data supplied by Freemans shows that the most recent default had been more recent – only 11 months earlier. There was evidence of earlier defaults, too. Mrs B had also settled an additional delinquent account in the previous six months. The value of the default was £635 – a relatively small amount, indicating that Mrs B had problems managing even a small amount of debt and she was still paying this off.

Although Mrs B indicated on her application that her household income was far greater than her personal income I think Freemans ought to have done more to establish a greater understanding of Mrs B's financial circumstances at the time of application.

I don't know what checks Freemans would have chosen to do to establish a greater understanding – there is no prescribed list of check a business should do. But in the absence of anything else, I think it's reasonable to look at the evidence Mrs B has provided of her circumstances at the time of her application.

I have reviewed Mrs B's bank statements from around the time of application. I can see that she was permanently using her overdraft and was regularly very close to the £2,000 limit for this. She was paying a high rate of interest on the overdraft and seemed to be making no impact on the overall debt. Overdrafts are generally considered to only be suitable for short term unexpected borrowing needs, but Mrs B was using hers all of the time. I can see that she was making payments to a high cost lender, and she was making minimum payments to credit card providers. She was also gambling. Mrs B has also provided evidence that she was still making payments to a pawnbroker, having defaulted on an arrangement in December 2019.

Freemans says it took into account Mrs B's household income. It seems that her partner had a much higher income than she did.

The Financial Conduct Authority has rules about how another person's income must be considered when assessing a customer's ability to make repayments under a credit agreement. It says:

*"The firm must consider the customer's ability to make repayments under the agreement:*

- (1) As they fall due over the life of the agreement and, where the agreement is an open-ended agreement, within a reasonable period;*
- (2) Out of, or using, one or more of the following:*
  - (a) The customer's income;*
  - (b) Income from savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement; and/or*
  - (c) Savings or other assets whether the customer has indicated clearly an intention to repay (wholly or partly) using them;*

- (3) Without the customer having to borrow to meet the repayments;*
- (4) Without failing to make any other payment the customer has a contractual or statutory obligation to make; and*
- (5) Without the repayments having a significant adverse impact on the customer's financial situation."*

Freemans says Mrs B indicated in her application that her partner's income would be available to help meet her future obligations with Freemans. Mrs B had said that this income was not available to her. At the time of making my provisional decision I didn't know for certain whether Freemans directly asked her this question or if it just asked for her to state any additional household income. Freemans confirmed in its response to my provisional decision that the question asked was whether there was an additional income in the household which could be used to support repayments on the account, which Mrs B answered affirmatively. So I am satisfied that Freemans was entitled to take this income into account when making its decision to lend.

I also noted in my provisional decision that I didn't have a complete picture of Mrs B's financial circumstances. I could see on Mrs B's bank statements that she had another bank account in her name to and from which she was making transfers. Mrs B had also said that she had a joint savings account with her husband, but she would not share this evidence without his permission, and he had not given permission. I think Freemans would have been entitled to take this into account when assessing whether to lend to Mrs B. And without an understanding of what that information would have shown I can't reasonably say that Freemans acted unfairly in any way.

### **My final decision**

I do not uphold Mrs B's complaint. It follows that Freemans Plc, trading as Bon Prix, does not have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 27 June 2024.

Sally Allbeury  
**Ombudsman**