

The complaint

Miss W complains that NextPay Retail Limited, trading as NextPay (“NextPay”) irresponsibly gave her a running credit account she couldn’t afford to repay.

What happened

In July 2022 Miss W applied for and was accepted for a credit account with NextPay. She was given a £600 credit limit which was never increased. The account was suspended on three separate occasions. The most recent period of suspension began in November 2023.

Miss W went on to contact a debt charity that led to a reduced payment plan being put in place.

Miss W complains that NextPay shouldn’t have opened the account for her because it wasn’t affordable from the outset. So she says NextPay ought to have made a better effort to understand her financial circumstances.

Our investigator didn’t recommend the complaint be upheld. As Miss W didn’t agree, the complaint has been passed to me to decide.

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.

Information about our approach to these complaints is set out on our website.

I’d like to reassure Miss W that I’ve looked at the complaint afresh and independently reviewed all the available information, including what she has said in response to our investigator’s view. Having done so, I am not upholding Miss W’s complaint for broadly the same reasons as our investigator. I’ll explain why.

Miss W’s complaint is that NextPay made credit available that was unaffordable for her. NextPay has explained that it carried out a credit check using a credit reference agency to determine the amount of credit it was able to offer. Miss W had a good recent credit history, with no signs of financial difficulties based on the checks NextPay did. The only suggestion of issues with credit were two account defaults that had taken place just over five years earlier. NextPay also said that it continued to review Miss W’s account use and her ability to afford the level of credit she’d been given.

Having reviewed the checks, and taking into account the level of opening credit, I don’t think there’s enough to suggest that it would have been unreasonable for NextPay to have approved the account. I can’t see that NextPay asked about Miss W’s income, though. That’s something that may have helped it to begin to build a fuller picture of her financial circumstances.

Miss W hasn't provided us with her credit report so I can only rely on the information provided by NextPay. Given the level of credit that was granted and the details I've seen, I don't have enough evidence to say that a more thorough affordability check would have led NextPay to think that the credit it provided Miss W was unreasonable.

Our investigator asked Miss W for some further details and evidence about her financial circumstances at the relevant time. This was to help us understand what, if anything, NextPay might have found out if it had completed better checks. However, Miss W has only provided us with limited further details.

All of this means I've seen insufficient evidence to think that better checks would have led NextPay to think that the credit it provided to Miss W was unfairly granted or likely to turn out to be unaffordable.

I've also seen that Miss W says that NextPay ought to have done more to support her after her health became an issue in August 2023, when she told NextPay she was experiencing difficulty. It appears that there were some issues around making contact to arrange for her account to be put on hold. An account suspension was put in place but it seems this was cancelled after a further communication was received from Miss W. NextPay has explained that it took steps to support her when it became aware of her difficulties, including suspending her account. However, without having full details of her financial situation it was unable to help her further. A low payment plan being put in place March 2024, after Miss W had contacted a registered debt charity.

Based on what I've seen, I think NextPay took reasonable steps to help Miss W with regard to the specifics of her financial situation. I appreciate that she considers those steps didn't go far enough. But I think it showed a reasonable level of engagement and forbearance in these circumstances.

I know Miss W is disappointed with our investigator's assessment and has told us about the difficult financial and personal circumstances she has been going through. I am therefore sorry to have to disappoint her again with my own finding. But having considered all the available evidence and information, especially from the time of the lending decision, I have not found sufficient evidence to uphold this complaint.

I've also considered whether the relationship between Miss W and NextPay might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NextPay lent irresponsibly to Miss W or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

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 W to accept or reject my decision before 29 November 2024.

Michael Goldberg
Ombudsman