



## **Complaint**

Mr H has complained about a catalogue shopping account Frasers Group Financial Services Limited (trading as “Studio”) provided to him.

He says that he shouldn’t have been given the catalogue shopping account or the credit limit increase given the amount of credit he already had.

## **Background**

In May 2021, Studio provided Mr H with a catalogue shopping account which had an initial credit limit of £300. The credit limit was increased to £600 in September 2021.

One of our investigators reviewed what Mr H and Studio had told us. And he thought Studio hadn’t done anything wrong or treated Mr H unfairly in relation to providing the catalogue shopping account.

So he didn’t recommend that Mr H’s complaint be upheld. Mr H 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.

Having carefully considered everything, I’ve decided not to uphold Mr H’s complaint. I’ll explain why in a little more detail.

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 Mr H’s complaint.

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 Mr H 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 don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – 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 Mr H’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr H would be able to make the relatively low monthly repayment required to clear the balance that could be

owed within a reasonable period of time. For the limit increase, it appears to have relied more upon Mr H's management of the account in the four months or so he had it.

On the other hand Mr H says that he shouldn't have been lent to under any circumstances given the existing credit he had.

I've considered what the parties have said.

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

I've seen the information Studio obtained from Mr H about his income and what was on the credit search carried out. Studio says that Mr H declared a salary of £45,000.00 a year. I understand that this was cross checked against information Studio received from credit reference agencies on the funds going into Mr H's main bank account each month. This suggested that the funds Mr H was receiving meant that this declaration wasn't unreasonable or implausible.

I've seen that Mr H says he had taken out a number of payday loans. However, I don't think that Studio would have been aware of the total numbers or the full history of Mr H's accounts. Its credit checks effectively produced a snapshot of what Mr H owed. These checks did not produce the same detail or granularity that appears on Mr H's full credit file, which he has referred to.

For the sake of completeness, as Mr H has referred to the regulator's rules and guidance, I think it would be worth me confirming that these do not prescribe the checks a lender should carry out before agreeing to lend. And the rules and guidance certainly do not insist upon checks of the level Mr H has referred to, particularly given the low amount of credit being granted and the amount of Mr H's income.

Studio's credit searches didn't show any recent significant adverse information – such as county court judgments – recorded against Mr H either. I accept that Studio's credit search did show that Mr H had previously had delinquent accounts recorded against him.

However it's clear that these were historic as the latest of them was added almost eighteen months previously. As this is the case, I don't think that these delinquent accounts meant that Mr H shouldn't have been lent to. In my view, it meant that Studio needed to take more caution which it did do by offering an extremely low initial limit to begin with.

Given the extremely low amount being initially being lent here and the credit searches Studio carried out not showing that Mr H shouldn't be lent to in any circumstances in the way he suggests, I don't think that Studio needed to further verify what was in the information it had before lending. So I'm satisfied that Studio's decision to initially provide Mr H with his catalogue shopping account was reasonable.

For the credit limit increase, it appears as though Studio relied on Mr H's account having been managed well in the period since it had been opened. I'm not necessarily persuaded that this was an indication that Mr H should be lent up to a further £300, or that this in itself meant that he could repay £600 within a reasonable period of time. However, I'm also mindful that there wasn't any new significant adverse information on the credit search Studio carried out.

For the sake of completeness, I would also add that it's also not even immediately apparent to me that even more checks, which at the absolute maximum would have consisted of finding out more about Mr H's living expenses rather than relying on estimates of this, would, in any event, have led to Studio making a different decision.

I say this because I've not been shown that Mr H providing further information about his actual living costs, would have shown Studio that he didn't have the funds to be able to make what was still a low payment that he could have had to make as a result of the increased credit limit. So, in any event, I'm not persuaded that Studio doing more would have led to it deciding against offering the credit limit increase to Mr H.

I know that Mr H has queried how it is possible for us not to uphold this complaint when a separate complaint of his, about another lender, ended up being upheld. I can understand why Mr H might find it strange that he's received different outcomes on complaints which he perceives to be materially the same.

But it's important for me to explain that we consider complaints on an individual basis and looking at the individual circumstances. As I've already explained, what will constitute a proportionate check will very much depend on the particular circumstances of the individual application. A proportionate check, even for the same customer, could look different for different applications.

Furthermore, I'm not bound by the outcomes reached by other case handlers on different cases. Ultimately, I'm required to consider the facts of a case and reach my own conclusions. So the outcome on Mr H's other case cannot and do not bind me into reaching the same conclusion on this case. That said, consistency is important and with a view to providing some clarity and reassurance to Mr H, it might help for me to explain that there are some key differences between this complaint and Mr H's other one.

Having looked at Mr H's other case, it's clear that he was advanced credit for a higher amount than he could owe on this account and after Studio had lent to him. I would also add that any assessment on whether Mr H should have been provided with the credit card in his other case is likely to have factored in what he might have ended up owing as a result of this catalogue shopping account.

As this is the case, while I'm not required to replicate the outcomes reached on other cases, nonetheless I don't consider that my answer here is incompatible or inconsistent with the one Mr H received on his other case, notwithstanding the differing outcomes.

In reaching my conclusions, I've also considered whether the lending relationship between Studio and Mr H might have been unfair to Mr H under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Studio irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Studio treated Mr H unfairly or unreasonably in approving his application for a catalogue shopping account or offering to increase his credit limit. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 January 2025.

Jeshen Narayanan  
**Ombudsman**