

The complaint

Miss E complains that Next Retail Limited was irresponsible in its lending to her. She wants all interest and charges she has paid under the credit agreement refunded along with statutory interest. She also wants any adverse information recorded on her credit file about this agreement removed.

Miss E is represented by a third party but for ease of reference I have referred to Miss E throughout this decision.

What happened

Miss E was provided with a credit account by Next in December 2020. The credit limit was set at £300 and wasn't increased. Miss E said that Next failed to undertake a reasonable assessment of her credit worthiness before providing the credit. She said her credit report showed she had around £14,258 of debt outstanding at the time of her application and that she had missed several payments for her existing credit commitments in the previous months.

Next issued a final response dated 30 August 2024. It explained that when Miss E applied for credit it performed a creditworthiness assessment consistent with the requirements. It considered both credit risk and affordability risk. It said that Miss E's credit data didn't show her to be in financial difficulty and it considered the credit limit provided was proportionate. It noted that under the agreement Miss E had three months with a set payment figure (and 0% interest). However, Miss E only paid the minimum amount and so the interest was applied.

Next didn't uphold Miss E's complaint and noted that her account was suspended in August 2022 and defaulted in March 2023.

Miss E referred her complaint to this service.

Our investigator didn't uphold this complaint. He was satisfied that Next carried out proportionate checks before the credit was provided. As these didn't suggest the lending was unaffordable for Miss E, he didn't uphold this complaint.

Miss E didn't accept our investigator's view. She said that one of her credit commitments wasn't up to date and this should have been seen as an indicator of financial difficulty. She said that because of this, further checks should have taken place.

Our investigator responded to Miss E. He said that having one account with issues when all other accounts were up to date wasn't a reason for the lending not to be provided. He said this was because it didn't show a pattern of behaviour which would have suggested Miss E couldn't sustain the repayments on the small credit limit Next had provided. Miss E didn't agree with this and reiterated that her credit file showed she could be struggling financially, and so further checks should have happened.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the credit was provided, Next carried out a credit worthiness assessment using data from Miss E's credit file. Noting the credit limit that was being provided, I think this was a reasonable approach for the initial check. However, I think it was necessary for Next to assess the information received through the credit worthiness check to see if further questions should be asked or if the information raised concerns that meant further credit shouldn't be given to Miss E.

Next said the credit check showed Miss E had nine active accounts of which eight were up to date. She had one county court judgment that was applied 61 months before the application and one account that was defaulted 26 months before the application. Based on this it thought the low credit limit of £300 was reasonable.

As the county court judgment and default were both historic, I don't think these meant that no further credit should be provided to Miss E. But I do think this needed to be considered when assessing the amount of credit to be provided.

Next noted that Miss E wasn't up to date on one of her accounts. I haven't seen the breakdown of the information Next gathered and so I have looked at the copy of the credit report Miss E has provided. The credit report records an account that defaulted in June 2018 but was satisfied in August 2019 (more than a year before Miss E's credit application) and another account that defaulted in October 2018 which has already been noted above (default recorded 26 months prior to application). The data available from around the time of the Next application showed that Miss E was maintaining her credit commitments aside from one utility account. We have asked for further information about this from Miss E but this hasn't been provided. So, taking everything into account, while I think the arrears on this account needed to be considered, given that Miss E was maintaining her other accounts, I do not think this alone meant the credit shouldn't have been provided.

However, as Miss E had experienced previous financial difficulties and she had adverse information recorded on one of her accounts, I think it right that she was provided with a low credit limit. In this case Miss E was given a £300 credit limit and this wasn't increased and the repayments due under this would be around £15. Considering the size of the credit limit provided and the repayments due and noting that Miss E was generally maintaining her credit commitments at the time, I do not find that I have enough to say that Next was wrong to provide the credit.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Miss E has complained about, including whether its relationship with her 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 Next lent irresponsibly to Miss E or otherwise treated her

unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 21 April 2025.

Jane Archer
Ombudsman