

The complaint

Miss S complains Frasers Group Financial Services Limited trading as Studio provided her with an unaffordable catalogue shopping account.

What happened

Studio provided Miss S with a catalogue shopping account in September 2016. Some of the information relating to the early limits is missing or conflicting, so I've set out in the table below the details of the account based on the information I have:

Date	Lending Decision	Credit Limit
September 2016	Original limit	£125/250
March 2017	1 st limit increase	£300
April 2017	2 nd limit increase	£350
August 2017	3 rd limit increase	£400
September 2017	4 th limit increase	£450
March 2018	5 th limit increase	£575
June 2018	6 th limit increase	£725
*November 2018	7 th limit increase	£1,000
*August 2019	8 th limit increase	£1,250
December 2019	Limit decrease	£1,030
January 2020	Limit decrease	£990
February 2020	Limit decrease	£970
June 2020	Limit decrease	£960
August 2020	Limit decrease	£890
June 2021	9 th limit increase	£1,040
November 2021	10 th limit increase	£1,600
May 2023	Limit decrease	£1,500

**During the period these limits were in place Miss S' balance never exceeded the previously agreed limit of £725 before a further increase was provided in June 2021*

In February 2024 Miss S complained to Studio. She said the account had been irresponsibly provided as had it completed proportionate checks it would have identified it was unaffordable for her.

Studio didn't uphold Miss S' complaint. It said it had completed reasonable checks when providing her with the original limit and all limit increases. It said it did reduce Miss S' limit when there were signs of possible financial difficulties, in 2019, 2020 and 2023. But it says in between these decreases Miss S' financial circumstances had improved, and it increased the limit which it considers it did responsibly.

Unhappy with Studio's response Miss S referred her complaint to our service for review.

Our investigator considered the details of Miss S' complaint and upheld it. She considered Studio had enough information to conclude it shouldn't have provided Miss S with the limit increase to £400 in August 2017; and that it had therefore made an unfair lending decision.

Miss S accepted our investigator's view; Studio didn't. It provided comments pointing to later lending decisions which it said were fairly provided, and that Miss S' financial circumstances appear to have improved further into the lending relationship.

Studio asked for an ombudsman's review, so the complaint's 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.

The information in this case is well known to Miss S and Studio, so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points and facts relevant to this complaint. I don't mean to be discourteous to Miss S or Studio by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and I've seen our investigator made Miss S and Studio aware of this approach within her view.

Essentially Studio needed to take reasonable steps to ensure the lending it provided Miss S was responsibly lent. The relevant rules, regulations, and guidance in place at the time Studio made its lending decisions required it to carry out reasonable and proportionate checks. These checks needed to assess Miss S' ability to afford the credit limit being provided and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower's individual circumstances.

And it isn't sufficient for Studio to just complete proportionate checks – it must also consider the information it obtained from these checks to make fair lending decisions. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've split my findings below under different headings for ease.

The original credit limit and credit limit increases up to and including £350 in April 2017

Studio has said before each lending event it considered and assessed a number of criteria. It has said this would have consisted of some or all of the following: an income check, a credit file check, and taking into account information it had available to it about the management of the existing facility.

The opening limit and credit limit increases up to and including £350 were all relatively modest. Studio has provided us with the credit file data it obtained at the initial application, which included a check of Miss S' income which was reported as around £20,500 per year.

The credit file data at the application stage does appear to show some adverse information, suggesting that Miss S had one other line of credit that was reporting in a delinquent status. But, due to the passage of time the information is limited. And I'm not persuaded, in the

individual circumstances, that one account being in a delinquent state, especially when it's not clear when this was reported and for how long, would suggest to Studio that it shouldn't provide a modest initial limit.

However, I would expect Studio to closely and carefully monitor Miss S' use and management of the modest facility it was providing, as well as reviewing external data it obtained on a monthly basis, to ensure the lending and any potential further lending was responsibly provided.

Studio went on to increase Miss S' limit in March and April 2017 by relatively modest increments, providing her with a total limit of £350 by April 2017.

It's not clear from the information Studio has provided exactly when it increased Miss S' limits in these months, but the credit file information reported in early May 2017 does seem to suggest a change in Miss S' financial situation as it shows she is now two months in arrears on at least one of her credit accounts. But I can't be satisfied that this information was available to Studio before it increased the limit to £350 in April 2017.

Looking at the information available to Studio in April 2017 it doesn't suggest there have been any significant changes to Miss S' financial situation from account opening; and therefore doesn't appear to show any signs that ought to have caused Studio concern. I say this because Miss S was managing the account well across the period leading up to these limit increases. There was no further adverse information reported to her credit file since account opening.

So, I think its checks were proportionate for these increases, and that it went on to make fair lending decisions when increasing Miss S' limit up to £350.

The limit increase to £400 in August 2017

By the limit increase to £400 in August 2017 I consider the information Studio had available to it suggested Miss S was experiencing a deteriorating financial position; and that it didn't make a fair lending decision when increasing her credit limit.

I say this because the credit file information Studio obtained showed that by August 2017 Miss S now had two non-mail order accounts in a delinquent status; one of these being reported in July 2017. The information also showed that Miss S' worst current status had increased to four months in arrears on at least one of these two accounts.

In addition Miss S had also missed her contractual monthly payment to her Studio account in May 2017, incurring a charge and having the account reported as in arrears. This was even though her Studio credit limit was at a relatively modest value, and her contractual monthly payments would have been proportionately modest.

Studio has said Miss S was late by a couple of days in making her May 2017 payment, but that it wasn't overly concerned by this. It's said this as she met her contractual monthly payments in line with her agreement from June 2017 onwards, and often made monthly payments higher than the contractual minimum which doesn't suggest financial difficulties.

I'm not persuaded by Studio's position here. I say this because looking at the overall position from the information it had obtained and had available to it by August 2017, Miss S was exhibiting signs of financial difficulties across a number of credit accounts, not just her Studio account. I would also set out that a customer meeting or exceeding their minimum contractual monthly payment isn't evidence that they aren't experiencing financial difficulties.

And in any event, Studio's comments here relate to events that happened after the lending event I've considered, and which I've found to have been unfairly provided.

I consider it ought reasonably to have been clear to Studio that Miss S was experiencing problems managing a number of her credit accounts in the months leading up to this increase, including her Studio account; and that providing her with further credit, no matter how modest in value, wasn't the right action to take.

So, it therefore follows I don't consider Studio made a fair lending decision when increasing Miss S' credit limit to £400.

Although Studio decreased Miss S' credit limit on a number of occasions across the following years, it was never reduced below the credit limit of £350 which I've found was fairly provided. So, it follows I've not considered any later credit limit increases as these were all in excess of £350.

Did Studio act unfairly or unreasonably in any other way?

I've considered whether Studio has acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, I'm satisfied the redress I'm currently minded to direct in this case, as set out below, results in fair compensation for Miss S in the circumstances of the complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't consider Studio made a fair lending decision when increasing Miss S' credit limit above £350, I don't think it's fair for it to apply any interest or charges on any balances which exceeded that limit. However, Miss S has had the use of the money she spent on the account, so I think it's fair she should pay this back. Therefore, Studio should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £350 from the limit increase in August 2017.
- If the rework results in a credit balance, this should be refunded to Miss S along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Studio should also remove all adverse information recorded on Miss S' credit file from August 2017.
- Or, if after the rework there's still an outstanding balance, Studio should arrange an affordable repayment plan with Miss S for the remaining amount. Once Miss S has cleared the outstanding balance, any adverse information reported to her credit file about this account from August 2017 should be removed.

Studio told us in January 2025 that Miss S' account has been passed to a third-party debt management company who is administering the debt on its behalf. Studio should either bring the debt back in house or work with the third-party debt management company to ensure the above redress is followed.

*HM Revenue & Customs requires Studio to deduct tax from any award of interest. It must give Miss S a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that I'm upholding Miss S' complaint about Frasers Group Financial Services Limited trading as Studio and I direct it to take the above action in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 25 April 2025.

Richard Turner
Ombudsman