

## **The complaint**

Mrs H complains that Next Retail Limited trading as Next acted irresponsibly when they agreed to the opening of a credit account and subsequent credit limit increases.

## **What happened**

Mrs H successfully applied for a catalogue account with Next, with an initial credit limit of £300. There followed a number of credit limit increases, March 2019 to £600, July 2019 to £1,500 and November 2019 to £3,000. A reduction in Mrs H's credit limit was made in November 2020 to £750, and she'd settled her outstanding balance. But the credit limit was again increased to its former amounts in March 2021 to £1,500 and in July 2021 to £3,000. Mrs H said she struggled to meet her credit commitments, and she fell into arrears. Mrs H's account was suspended in December 2022. Mrs H complained to Next.

Next said they'd checked whether the account and subsequent credit limits were affordable for Mrs H using credit reference agencies (CRA). Her credit history didn't show any financial vulnerability, and her affordability scores were good. In May 2020 Next said Mrs H's affordability score had fallen so they gradually reduced her credit limit to £750, and Mrs H had settled her balance in November 2020. On Mrs H returning to shop with them they again checked her affordability and based on this they increased her credit limit to its previous limits.

Mrs H wasn't happy with Next's response and referred her complaint to us.

Our investigator said Next had checked Mrs H's credit history, but they hadn't checked her income or employment status. And so Next should have done more by checking these. But said if they had they would have made the same lending decision as Mrs H's income showed the lending was sustainable so the lending decision made by Next was fair.

Mrs H didn't agree she said if Next had properly checked they would have seen she'd a dependence on short term lending and had a history of missed payments. She asked for an ombudsman 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.

I understand Mrs H will be disappointed by my decision but having done so I'm not upholding her complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Next offered the account it needed to complete reasonable and proportionate checks to be satisfied Mrs H would be able to repay the debt in a sustainable way. But it's important to note Mrs H was being provided with open ended credit facility rather than a loan. And this means that Next was required to understand whether a credit limit of £300 could be repaid

within a reasonable period, rather than in one go. A credit limit of £300 required relatively low monthly payments to clear the full amount that could be owed within a reasonable period.

In deciding what was proportionate each time it extended credit to Mrs H , Next needed to take into account things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning running account credit agreements), the cost of credit and the consumer's circumstances.

From the information I've been provided with, it doesn't appear that Next asked Mrs H about her income at the time they agreed to provide her with the credit. And while there isn't any specific regulation that says they must do this, the rules do say that a firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current income. I think it would have been reasonable for Next to have understood more about how much income Mrs H was receiving so it could reasonably understand if she could afford to sustainably repay a £300 limit.

But saying Next should have done more before lending to Mrs H doesn't automatically mean her complaint should succeed. I also need to be persuaded that what I consider to be proportionate checks would have shown Next that Mrs H couldn't sustainably afford the credit. There isn't a set list of checks that a lender should make, but bank statements will I think usually provide a good understanding of someone's financial situation as they should show their income and essential outgoings

Mrs H has provided her bank statements for the three months prior to the account opening and these show she'd a regular income. From these I can see her average income excluding any benefits was around £1,500. And her statements didn't show any signs of financial difficulty such as returned direct debits, use of short-term lending or any evidence of overdraft usage. As the initial lending was for the relatively low amount of £300, I'd consider this would mean Mrs H would need to pay around £15 a month to settle the balance within a reasonable period should she draw on the full amount straight away. So, I'm satisfied the lending decision made by Next was fair.

In March 2019 Next increased Mrs H's credit limit to £600, again a relatively low level of borrowing. Which I'd expect Mrs H to pay around £30 a month to settle within a reasonable time period. From Mrs H's bank statements, I can see over the three months prior to the credit limit increase her income was around £1,600 a month. And there weren't any signs of financial difficulty or vulnerability. Next also had the internal data as to how Mrs H was managing her Next account and this showed the minimum repayment required for the three months prior to the credit limit increase was £31, whereas Mrs H had paid for the same period around £225. So based on this I'm satisfied Next made a fair lending decision.

In July 2019 Next increased Mrs H's credit limit to £1,500. Their checks didn't show any adverse data and Mrs H's affordability score was good. If she drew down the full credit limit I'd expect her to pay around £75 a month to settle the account within a reasonable period. Mrs H had been required since her last credit limit increase to pay in total around £44, whereas she'd actually paid more than the minimum required around £720. In checking Mrs H's bank statements for the three months prior to the lending her income had increased to around £1721. While I can see in one of the months regular payments made to an online platform I didn't see any signs of financial difficulty. So, I'm satisfied had Next done further checks they would have made the same lending decision which based on the evidence I've seen was fair.

In November 2019 Next increased Mrs H's credit limit to £3,000. Next's checks didn't show any adverse data and Mrs H's affordability score was good. If she drew down the full credit

limit I'd expect her to pay around £150 a month to settle the account within a reasonable period. Mrs H had been required since her last credit limit increase to pay in total around £186, whereas she'd actually paid more than the minimum required around £245. In checking Mrs H's bank statements for the three months prior to the lending her income had increased to around £2075. I didn't see any signs of financial difficulty or financial vulnerability. So, I'm satisfied had Next done further checks they would have made the same lending decision which based on the evidence I've seen was fair.

From Next's records I can see that while Mrs H did pay more than the minimum required after this increase she generally paid the minimum required each month, and Next has said their checks showed Mrs H's affordability score had worsened so they took the step to gradually reduce her credit limit down to £750, and In November 2020 Mrs H had settled her account.

I can see Next increased Mrs H's credit limit to their previous amounts in March 2021 to £1,500 and in July 2021 to £3,000, so I've also considered whether these were fair lending decisions. Next said their checks showed Mrs H's affordability score had improved and was now good. I can see Mrs H was required to pay around £14 for the goods she'd acquired from when she settled her balance to the first credit limit being increased. Mrs H actually paid £629 over this period. And Mrs H was required to pay £26 after her credit limit was increased to the second credit limit increase whereas she made payments totalling £731. Mrs H has also provided her bank statements for the period leading up to the credit limits being increased. I can see from these that Mrs H now had a weekly income as well as a monthly salary, so her regular income had increased to around £4,700 a month. Her bank statements for both periods showed no financial difficulties or financial vulnerability.

So while I think Next needed to check further to establish a reasonable understanding of Mrs H's income. I'm satisfied if they had done, they would have still agreed to lend to her as I'm satisfied Mrs H could sustain the lending provided.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Mrs H has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think Next lent irresponsibly to Mrs H or otherwise treated her unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 2 June 2025.

Anne Scarr  
**Ombudsman**