

The complaint

Miss B complains that Frasers Group Financial Services Limited was irresponsible in its lending to her. She wants all interest and charges she has paid refunded and any adverse information recorded about this account removed from her credit file.

What happened

Miss B applied for a Studio account with Frasers Group Financial Services Limited in November 2020. This was provided with an initial credit limit of £500. Her credit limit was increased to £750 in December 2020.

Miss B said that adequate checks weren't undertaken before the account was provided, and had they been, Frasers Group would have realised that she had missed payments on her existing credit commitments. She said that the credit wasn't affordable and despite her credit report showing that she was struggling with her finances, Frasers Group increased her credit limit. She explained that this credit had resulted in her being in a considerable amount of debt and had affected her mental health.

Frasers Group issued a final response dated 23 May 2024. It explained that its lending decisions are made based on credit scores and an individual's overall credit worthiness including factors such as income stability and repayment ability. It said that a careful analysis was undertaken before the credit limit increase was provided. It noted that until September 2021, the payments on the account were made without issue. Based on this it didn't uphold Miss B's complaint.

Miss B didn't agree with Frasers Group's response and referred her complaint to this service.

Our investigator said that the credit check carried out by Frasers Group showed Miss B had three revolving credit accounts, was utilising 100% of the credit limits and had one month of arrears recorded within the previous six months. Our investigator noted that Frasers Group had used current account turnover to check the affordability but there was an issue with the results and further details weren't provided to show how the disposable income figure of £306 had been arrived at. Given this he didn't find he could say that the checks were reasonable or proportionate.

Our investigator considered what proportionate checks would have identified. He looked at Miss B's bank statements leading up to the credit being provided. He found that Miss B's income was lower than she has declared on her application, but her disposable income was around £310. He noted that Miss B was making consistent use of her overdraft and thought that this, combined with her credit utilisation, could suggest she was reliant on credit or unable to manage her accounts. Because of this our investigator didn't think further credit should have been provided to Miss B and he upheld this complaint.

Frasers Group didn't agree with our investigator's view. It noted that Miss B had eight active accounts at the time of application and only one month of arrears recorded in the previous six months. It calculated Miss B's disposable income to be £306 which was very close to the

amount calculated using her bank statements and said that given the relatively low initial credit limit of £500 (minimum monthly repayments of £30) it wouldn't have been proportionate to have requested bank statements. Frasers Group reviewed Miss B's account history and said she cleared the balance in full on her first payment and then accepted the credit limit increase. It said she had exceeded the credit limit (1%) eight months after the account was opened and only missed one payment in the first year. It said its checks were proportionate given the credit being provided and that there were no adverse indicators of affordability when the credit limit increase was applied.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision not upholding this complaint, the details of which are set out below.

Before the credit was provided, Frasers Group gathered information about Miss B's income which was checked against her current account turnover, and it calculated her disposable income. A credit check was also undertaken. While these checks could have been reasonable, the current account turnover data didn't give clear support for the income figure Miss B had declared and so I find it would have been reasonable to have checked this through another source. I think this was also important given that the credit check showed Miss B had a high utilisation of her existing revolving credit and so it was important to understand whether Miss B was in a position to take on additional credit.

Frasers Group wasn't required to ask for copies of Miss B's bank statements, but I have used the information in these to understand what further checks of Miss B's income and expenses would have identified. Having done so I can see Miss B received regular payments into her account from benefits and for maintenance. These totalled around £1,120 a month. Her monthly commitments for her credit commitments and general living costs including insurances, utilities and food averaged around £650. This would leave Miss B with disposable income of around £470, which is higher than the amount identified by Frasers Group. Based on this I don't find that further checks would have identified the lending to be unaffordable.

I have then considered whether the other information gathered should have raised concerns that, even though the lending appeared affordable, providing additional credit might not be responsible. I have looked through the credit information Frasers Group received when the account was opened, and this showed that Miss B had eight active accounts and one month of arrears recorded in the previous six months. She had three revolving credit accounts and was utilising a high amount of these. I haven't seen further details of the credit check so I have looked through Miss B's credit report to understand what would likely have been identified.

Miss B's credit report showed she had three credit card accounts (one opened just before this application). While she was utilising the full credit limits, she generally was maintaining the accounts well – making the monthly repayments and not taking out regular cash withdrawals. The total credit limits on these three accounts combined was £950 and so I do not find this suggested Miss B was overindebted. I note there was one missed payment also recorded on Miss B's credit report, but I do not find this or the utilisation of the credit card limits was enough to say that Miss B was struggling financially given she was maintaining the majority of her accounts without issue.

I note our investigator's comment about Miss B using her overdraft. This information was available in her credit report. However, I note the overdraft had been cleared before the Frasers Group account was provided. And while there were returned payments showing in Miss B's accounts, as Frasers Group wasn't required to request copies of the bank statements, I cannot say it would have been aware of this.

Taking everything into account and noting the size of the initial credit limit provided, I do not find that I can say Frasers Group was wrong to provide Miss B with this account.

The credit limit on the account was increased in December 2020. This was only a month after the account was opened and so I have considered the information available at the time of account opening to see whether the limit increase should have been considered affordable. The new credit limit of £750 would require monthly minimum repayments of around £38. Based on the affordability checks noted above I do not find I can say this should have been considered unaffordable. Miss B had cleared her initial balance on the account and so I do not find this should have raised concerns.

In conclusion, I do not find the evidence in this case was such that Frasers Group should have considered the lending to be unaffordable or irresponsible for another reason. Therefore, I do not uphold this part of Miss B's complaint.

I have also considered the action taken by Frasers Group when Miss B raised her financial difficulties with it. I have looked through the information and can see that when Miss B contacted Frasers Group about her circumstances, affordability assessments were carried out and breathing space applied to her account. So, in this case, I think that Frasers Group did provide reasonable support for Miss B.

I've also considered whether Frasers Group acted unfairly or unreasonably in some other way given what Miss B has complained about, including whether Frasers Group's relationship with Miss B might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Frasers Group lent irresponsibly to Miss B 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.

Miss B didn't agree with my provisional decision. She said she had a family of six and no money to spare. She said she was borrowing from relatives to pay off her debts at the time the account was opened, was heavily using her overdraft, and not meeting all of her payments. She didn't think it acceptable for Frasers Group to have provided her with credit given her circumstances and the amount of debt she already had. Miss B said she had no disposable income at the time and couldn't afford the £38 a month payment. She didn't accept the lending was responsible.

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.

I have taken into consideration the comments Miss B has made in response to my provisional decision, however these haven't changed my conclusion.

For the reasons I set out in my provisional decision, I think that further checks should have taken place before the account was provided to Miss B. In this case I think that her income needed to be verified as the current account turnover data didn't give clear support for the income figure Miss B had declared. I also think given that Miss B had a high utilisation of her existing revolving credit it was important to understand whether Miss B was in a position to take on additional credit. However, I think that had these additional checks happened, Frasers Group would have seen that Miss B had disposable income of around £470. While I note the comments Miss B has made about her family commitments, I do not think it unreasonable, based on the information available to Frasers Group, that it considered the credit affordable for Miss B.

I have considered whether the other information gathered should have raised concerns that, even though the lending appeared affordable, providing additional credit might not be responsible. While I accept that Miss B had other debts at the time, she generally was maintaining her accounts well, and I do not find the credit checks suggested Miss B was overindebted. There was one missed payment recorded on Miss B's credit report, but I do not find this, or the utilisation of the credit card limits was enough to say that Miss B was struggling financially given she was maintaining the majority of her accounts without issue.

Taking everything into account, and for the reasons I set out in my provisional decision, and noted above, I do not find that I can say Frasers Group was wrong to provide Miss B with this account.

The credit limit on the account was increased to £750 in December 2020 requiring monthly repayments of around £38. Miss B has said she couldn't afford these payments, but I have to consider what the information available to Frasers Group at the time of the lending showed. In this case, based on the affordability details I have already explained, I do not find I can say this should have been considered unaffordable. Miss B had cleared her initial balance on the account and so I do not find this should have raised concerns.

Taking everything into account, while I understand that Miss B doesn't agree with my decision, for the reasons I have set out, I do not find I can uphold this complaint.

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 B to accept or reject my decision before 18 April 2025.

Jane Archer
Ombudsman