

The complaint

Mrs S complains that Next Retail Limited trading as Next Online (Next) acted irresponsibly in agreeing to a credit account that wasn't affordable for her.

In bringing her complaint Mrs S is represented by a third party. For ease of reading I will only refer to Mrs S in my decision.

What happened

In May 2023 Mrs S applied for a revolving credit facility with Next. Her application was successful and Next applied a credit limit of £300. Mrs S said she struggled to sustain the repayments. She complained to Next as she didn't think they'd sufficiently checked her financial situation before agreeing to lend to her.

Next said their checks were reasonable and proportionate being in line with the relevant guidance. Based on these checks Mrs S should have been able to sustain her repayments. They said their lending decision was fair.

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

Our investigator said for the type and amount of lending provided by Next their checks had been proportionate and based on these their lending decision had been fair.

Mrs S didn't agree and 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 appreciate my decision will disappoint Mrs S but having done so I don't uphold 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 they needed to complete reasonable and proportionate checks to be satisfied Mrs S would be able to repay the debt in a sustainable way.

In deciding what was proportionate Next needed to consider 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 revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Next provided Mrs S with a revolving credit facility rather than a loan. This means the monthly required payment is based on the transactions made and any outstanding balance rather than a fixed sum each week/month. While there isn't a set amount that needed to be repaid each month the relevant guidance requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the

earliest opportunity. And can be repaid within a reasonable period of time, rather than in one go.

Next was approving a credit limit of £300. So, I think Next could have reasonably assumed Mrs S would need to pay £15 per month in order to clear the full amount within a reasonable period. A relatively modest amount.

Next said they used Mrs S' application data and cross checked this with credit reference agencies (CRA). They said the information obtained showed Mrs S had defaulted on some of her credit accounts previously. But that Mrs S' active credit commitments were being well managed and reasonable.

Mrs S has provided her credit report which I've considered. And I think is reflective of what Next has said. I can see Mrs S had previous defaults but her active credit commitments were up to date. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. Here, Next considered the information that Mrs S had on her credit file and made a decision to lend which, in the circumstances, I think was reasonable, as the defaults had happened around two years or more prior to this lending so I'd consider them to be historic.

I appreciate what Mrs S said about having existing debts being near their credit limit and generally only being able to sustain the minimum repayments. But as the credit check carried out indicated that she was managing those commitments, the type and amount of lending provided by Next I think reflects this. Next has shown that where a borrower's credit limit indicator (CII) rests between 40 and 80 they mitigate any risk to the borrower by holding any credit limit at £300. I can see from their checks Mrs S' CII was 49.

So I'm satisfied the checks Next did were proportionate and fair. I think anything further would have been disproportionate given the amount being borrowed. While the checks showed Mrs S had previously struggled financially this had been some years before this lending. And there weren't any recent signs of financial vulnerability. Also Next had mitigated any risk by only agreeing to a modest credit limit. I haven't seen any evidence to persuade me that Mrs S wouldn't have been able to sustain the repayments.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Mrs S 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 S or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A 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 S to accept or reject my decision before 13 August 2025.

Anne Scarr
Ombudsman