

The complaint

Miss H complains about two accounts she'd with Frasers Group Financial Serviced Limited trading as Studio (Studio) that she said were unaffordable for her.

What happened

In July 2018 Miss H applied for a catalogue account with Studio. Her application was successful, and Studio applied a credit limit of £100. In November 2018 Studio increased the credit limit to £200, in December 2018 to £250 and in February 2019 to £300. Miss H said she struggled to sustain the repayments with the account sold for debt collection in November 2020.

In December 2021 Miss H applied for another revolving credit account with Studio. Her application was successful, and Studio applied a credit limit of £425. No further credit limit increases were applied. Miss H said she again struggled, and the account went into default.

Miss H complained to Studio about both accounts. She said they hadn't properly checked whether she could afford either account.

Studio said they'd used Miss H's application data and credit reference agency (CRA) data to assess whether the lending was affordable for Miss H. And based on these checks they said their lending decisions were fair.

Miss H wasn't happy with Studio response and referred her complaint to us.

Our investigator said Studio should have done more to check Miss H's financial situation. But based on these further checks their lending decisions were fair and reasonable.

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

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken that approach into account in considering Miss H's complaint.

This means before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but they need to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. As a lending relationship continues over time and the level of credit increases, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the

customer.

Upon opening her account in July 2018 Miss H was provided with a £100 credit limit. The catalogue shopping account Studio provided Miss H with was a revolving credit facility. This meant that they were required to understand whether Miss H could repay £100 within a reasonable period with the assumption that Miss H would draw upon the full £100.

On opening the account Studio checked Miss H's affordability with data provided by a CRA alongside the application data provided by Miss H. This would have given Studio an understanding of Miss H's income and credit commitments. Given the low level of lending being considered I'm satisfied the checks were proportionate for the type of lending being provided. And based on these checks Studio's decision to lend was fair as I haven't seen any evidence to show Miss H would have struggled to sustain the repayments which I consider would have been around £5 a month.

The first credit limit increase in November 2018 was also modest from £100 to £200. So, I wouldn't have expected Studio to have done too much more for this increase than they did when determining whether to initially provide the account. And they also had the additional information about how Miss H was managing her account with them. This showed Miss H was managing her account well, paying more than the minimum payment required. With no missed payments or over the limit charges being applied.

The payments required to clear £200 within a reasonable period would have been relatively low. So, for much the same reasons I'm satisfied the checks Studio did were proportionate for the lending they provided. And their decision to lend to Miss H based on these checks was fair and reasonable.

I've not considered the two additional increases, £250 and £300 as from Studio records, I can see Miss H's outstanding balance never exceeded £200, so there hasn't been any financial detriment caused to Miss H from these further credit limit increases.

Miss H applied for another account with Studio in December 2021, and a credit limit of £425 was applied. Again, this was a revolving credit facility so Studio needed to check Miss H would be able to repay any balance within a reasonable period. For a £425 credit limit with the assumption Miss H would draw on the full amount, I'd expect this to be around £22 a month.

Studio said they'd used Miss H's application data and checked with a CRA. Which I consider would be proportionate given the type and amount of lending being provided. But Miss H's previous account with Studio I can see went into default in October 2020 and was sold for debt collection in November 2020. And Studio's CRA check should have shown this. Whilst this might have been considered historic, I think Studio should have done more to check whether the lending was affordable for Miss H given her previous financial difficulties.

I don't think Studio necessarily should have obtained bank statements from Miss H, but I think these are a good indicator to show details about Miss H's income and expenditure. I've considered bank statements provided to us by Miss H covering the periods prior to the lending being approved in December 2021.

Having considered these statements I'm satisfied that further (and proportionate) checks by Studio wouldn't have caused them to conclude that the credit limit applied to this account wouldn't have been sustainably affordable for Miss H. I take on board Miss H's comments that one of the benefit payments paid into her account was for a relative and not for her use. But I haven't seen any comparative payments going out of the account to reflect this.

I can see regular payments being paid into the account, with Miss H paying her non-discretionary outgoings without any signs of financial vulnerability such as unpaid direct debits or recurring overdraft use. As outlined above Studio needed to check Miss H would be able to pay the balance if fully drawn down of £425 within a reasonable period, and I haven't seen any evidence to show that by approving this lending Studio had acted irresponsibly. As I think Miss H should have been able to sustain her repayments.

I've also considered whether Studio acted unfairly or unreasonably in some other way given what Miss 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 already given, I don't think Studio lent irresponsibly to Miss 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 Miss H to accept or reject my decision before 25 June 2025.

Anne Scarr
Ombudsman