

The complaint

Mr C complains Next Retail Limited trading as Next Online (“Next”) lent to him irresponsibly.

Mr C is represented by a professional third party, but for ease of reference I’ll mostly refer to Mr C throughout.

What happened

In January 2021, Mr C applied for an account with Next. His application was approved and he was provided with a £600 credit limit.

The limit wasn’t ever increased, and further spending was limited in July 2021. In October 2024 Mr C complained to Next.

He said sufficient checks weren’t completed to ensure he could repay the debt, and this is evident due to defaulted debt on his credit report and some adverse information such as instances of going over the limit on other, external accounts.

Next responded to the complaint. They rejected it saying the checks they did were proportionate and in line with the Financial Conduct Authority’s (FCA) guidelines. Mr C disagreed, so the complaint was referred to our service.

An Investigator here looked into things. They found that because Next didn’t request any information from Mr C regarding his income at the time, the checks weren’t proportionate. However, had they done proportionate checks, the decision to lend was still fair.

Mr C disagreed – he wanted to know whether Next was aware of a large amount of defaulted debt. The Investigator confirmed they were, and it was historic. Because an agreement couldn’t be reached, the complaint has 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.

Having done so, I’ve reached the same outcome as the Investigator, largely for the same reasons. I know this is likely to come as a disappointment to Mr C, but I’ll explain my reasons why.

The rules and regulations in place at the time Next provided Mr C with the account required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be ‘borrower’ focused. This means Next had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr C. In other words, it wasn’t enough for Next to consider the likelihood of them getting the funds

back or whether Mr C's circumstances met their lending criteria – they had to consider if Mr C could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Next did what was needed before lending to Mr C.

Next completed a full credit check for Mr C at the time of application which showed some historic adverse information and a high amount of external debt. Next have said when reviewing whether the application was approved or not, as Mr C's limit was low at £600 and/or there were no signs of financial difficulty they wouldn't usually estimate income or disposable income as it's obvious that the credit limit was affordable.

However, in Mr C's case, there was evidence of previous financial difficulty. There was a defaulted debt for over £10,000 three years prior. While this is deemed historic, he also had a high amount of active debt at the time. So based on this, I don't believe the checks Next carried out were proportionate, and given the circumstances, they should've requested more information from Mr C regarding his income at the time.

The Investigator asked Mr C for information about his income at the time. Mr C confirmed he was earning over £2,000 per month at the time the Next credit was provided. Had Next obtained this information prior to lending, I would've said the checks were proportionate. And so it follows that I think a fair decision to lend was made.

I say this because it was for a modest amount of £600, and although there were some signs of financial difficulty in the past, everything in recent months had been much improved. It wouldn't be a significant cost for Mr C to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

In reaching my conclusions, I've also considered whether the lending relationship between Next and Mr C might have been unfair to Mr C under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Next did not lend irresponsibly when providing Mr C with the credit account. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr C, I won't be upholding his complaint against Next for the reasons explained above.

My final decision

It's my final decision that Next Retail Limited trading as Next Online didn't act unfairly when providing Mr C with his credit account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 July 2025.

Meg Raymond
Ombudsman