

The complaint

Mr F complains that Next Retail Limited trading as Next Online (Next) acted irresponsibly by agreeing to a credit account he said he couldn't afford.

In bringing his complaint Mr F is represented by a third party. For ease of reading I will only refer to Mr F in my decision.

What happened

Around November 2021 Mr F applied for a revolving credit facility with Next. His application was successful and Next applied a credit limit of £600. No further credit limit increases were applied. Mr F said he'd struggled financially previously, and said by Next agreeing to lend to him they'd added to his financial burden. He complained to Next saying they hadn't properly checked his financial circumstances, if they'd done so they would have seen the lending was unaffordable for him.

Next said their checks were reasonable and proportionate in line with the relevant guidance. They'd considered Mr F's credit history through a credit reference agency (CRA) check. And based on these they said their decision to lend was fair as Mr F should have been able to sustain the repayments.

Mr F wasn't happy with Next's response and referred his complaint to us.

Our investigator said Next's checks had been reasonable and proportionate. And given the type and amount being borrowed they'd made a fair lending decision.

Mr F disagreed 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 Mr F but having done so I'm not upholding this 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 Mr F 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 Mr F 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 £600. So, I think they could have reasonably assumed Mr F would need to pay £30 per month in order to clear the full amount within a reasonable period.

Next said they used Mr F's application data and cross checked this with a CRA. They've provided the information obtained which showed Mr F had six active accounts, and he'd four county court judgements (CCJ), the last being around four years prior to this lending. But at the time of the lending Mr F's credit commitments were being well managed and reasonable. The CRA check gave Mr F a Customer Indebtedness Indicator (CII) of 23.

I take on board Mr F's comments about his CCJ's which he says show he was financially vulnerable. But It may help to explain here that, while adverse information 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. I think it would be unfair if past financial difficulty precluded a consumer from borrowing further when they're able to demonstrate they've improved their credit worthiness.

Here, Next considered the information that Mr F had on his credit file and made a decision to lend which, in the circumstances, I think was reasonable, as the CCJ's had happened around four years or more prior to this lending so I'd consider them to be historic. And the credit check carried out indicated that he was managing his credit commitments. I can see Mr F missed a payment on one of his active accounts but this had been in the preceding six months. And he'd brought the account up to date.

Next has shown that they consider a consumer's CII in their assessment. For example any CII over 80 would be declined credit. Between 40 and 80 the credit limit would be held at £300. For those with a CII below 40 Next consider a credit limit between £300 and £2,000.

Mr F's CII was 23. So, I think Next by applying a £600 credit limit, which is at the lower end of the scale shows they'd factored Mr F's circumstances into their assessment to mitigate any risk to him, which I think is reasonable.

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 Mr F 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 relatively modest credit limit. I haven't seen any evidence to persuade me that Mr F wouldn't have been able to sustain the repayments of around £30 a month.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Mr F has complained about, including whether their relationship with him 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 Mr F or otherwise treated him 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 Mr F to accept or reject my decision before 13 August 2025.

Anne Scarr
Ombudsman