

Complaint

Mr C has essentially complained that Freemans Plc (“Freemans”) unfairly provided him with a catalogue shopping account and limit increases that were unaffordable for him. He’s said that Freemans failed to carry out proportionate checks before providing with the account or the limit increases and had it done so, it would have seen that the credit was unaffordable.

Background

Mr C was initially provided with a catalogue shopping account that had a limit of £100 in November 2017. Mr C’s limit was increased at the following times to the following amounts:

December 2017 – £200
January 2018 - £300
February 2018 - £400
March 2018 - £500.

In February 2024, Mr C complained that the catalogue shopping account and limit increases were unaffordable and so shouldn’t have been provided to him. Freemans didn’t uphold Mr C’s complaint. Mr C remained dissatisfied and referred his complaint to our service.

Two of our investigators looked at this complaint and both of them thought that Freemans shouldn’t have provided the catalogue shopping account, or the limit increases to Mr C. They thought that Freemans needed to refund all of the interest, fees and charges that it added to Mr C’s account in order to put things right.

Freemans didn’t agree with the investigator’s assessment of the complaint. And it asked for an ombudsman’s review.

My provisional decision of 14 May 2025

I issued a provisional decision – on 14 May 2025 - setting out why I wasn’t intending to uphold Mr C’s complaint.

In summary, I was satisfied that that proportionate checks wouldn’t have prevented Freemans from lending to Mr C. In these circumstances, I was of the view that it wasn’t unfair for Freemans to have lent to Mr C.

Freemans’ response to my provisional decision

Freemans responded to my provisional decision to say that it agreed with it and confirmed that it had nothing further that it wished for me to consider ahead of my final decision.

Mr C’s response to my provisional decision

Mr C responded to confirm that he disagreed with my provisional decision. He said that he was unemployed at the time, had defaults in the past which included defaults on catalogue shopping accounts and also had large balances.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, including the responses to my provisional decision, I'm still not upholding Mr C's complaint. I'll explain why in a little more detail.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when considering Mr C's complaint.

Freemans needed to make sure that it didn't lend irresponsibly. In practice, what this means is Freemans needed to carry out proportionate checks to be able to understand whether Mr C would be able to repay what he was being lent before providing any credit to him.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I've kept this in mind in determining Mr C's complaint.

Mr C's catalogue shopping account was an open-ended (running account) agreement (in other words, there was no fixed end date) where there was an expectation that he'd repay what he borrowed plus the interest due within a reasonable period of time. The regulations in place didn't (and still doesn't) set out what a reasonable period of time was.

So I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case. It's fair to say that credit limits of between £100 and £500 will have required relatively low monthly payments in order to clear the full amount that could have been owed within a reasonable period of time.

Freemans says that it carried out credit checks before deciding to lend to Mr C. It says these showed that Mr C had previously defaulted on credit commitments with the most recent of these taking place sixteen months prior to this application. Mr C didn't have any county court judgments ("CCJ") recorded against him.

I appreciate that our investigators said that the information in the credit checks in itself meant that Freemans shouldn't have lent. I also note that in his response to my provisional decision Mr C has also reiterated that he had previously defaulted on credit. However, I'm afraid that I don't agree that Mr C having previously defaulted on credit, in itself, meant that he shouldn't have been lent to. I say this because there simply isn't an automatic prohibition on lending to a customer who has previously experienced difficulty repaying credit.

In my view, the existence of adverse information on the credit searches meant that Freemans needed to mitigate the risk of harm to Mr C. I think that Freemans did do this and exercised more caution by only offering him an extremely low credit limit to begin with. By only providing Mr C with a low credit limit this provided Freemans with the opportunity to see

whether Mr C had moved on from previous difficulty and could better manage credit going forward.

I'm also mindful that by the time of the limit increases Freemans was entitled to place weight on Mr C's conduct on this account. I've therefore considered how Mr C managed the account in the months after it was initially provided to him. Having done so, I've noted that Mr C hadn't immediately maxed out the credit that he had. Indeed, Mr C's account balance was just under £60 when the limit increase to £500 was applied to his account.

Furthermore, it's also worth noting that the information in Freemans' credit checks showed that Mr C hadn't incurred any further defaulted accounts or any other significant adverse information in this period either. And the amount he owed elsewhere had reduced from just over £7,000.00 to just under £5,000.00 in this time too. Again this was indicative of Mr C's difficulties now being in the past and him better managing his credit commitments in more recent times.

For the sake of completeness, I'd also add that even if I were to agree that Freemans ought to have done more here, I've not been persuaded that Freemans would have made a different decision even if it had asked Mr C for more information. I say this because at the absolute most it could be said that Freemans ought to have found out more about Mr C's actual living costs rather than relied on estimates of this.

However, Mr C hasn't been able to provide evidence of his circumstances at the time. As this is the case, I simply don't have sufficient evidence to be able to reasonably conclude that when Mr C's actual committed regular living expenses were combined with his existing credit commitments and then deducted from what he received each month, he didn't have sufficient funds to be able to sustainably make the repayments needed to clear the amount he could owe within a reasonable period.

In these circumstances, it's difficult for me to conclude that Freemans would have determined that Mr C didn't have sufficient funds to make the repayments for the increased credit limits. This is even if it had tried to find out more about Mr C's circumstances at the respective times.

In reaching my findings I've also considered the fact that Mr C has said he wasn't employed and was in receipt of benefits. I note that Mr C has reiterated this in his response to my provisional decision. I don't know if Freemans was made aware of this at the time of Mr C's application. In his response to my provisional decision, Mr C has also said that he was unemployed. Indeed, it looks like Freemans was only ever told that Mr C had changed jobs in October 2021. Furthermore, it looks like there were further discussions regarding Mr C changing employment in October 2023.

In any event, even if Freemans had been aware that Mr C was unemployed at the time of its lending decisions, I do think that it would be worth me emphasising that there isn't an automatic prohibition on lending an individual on benefits. Indeed, such an approach would be arbitrary and a lender is unlikely to have acted fairly and reasonably in circumstances where it automatically declined an application on this basis.

What I'd expect a lender to do, is make a decision on whether to lend after obtaining a reasonable amount of information. Everything I've seen here suggests that's what Freemans did in this instance. Indeed, the information gathered suggested that Mr C could repay balances of between £100 and £500 within reasonable period of time and I've not been provided with sufficient evidence to show that it doing more would have prevented it from lending.

As this is the case, I don't think that it was unfair for Freemans to offer Mr C his catalogue shopping account or increase his credit limit in the way it did. And it follows that I'm not intending to uphold this aspect of Mr C's complaint.

I've noted that Mr C did eventually go on to have difficulty making the payments to his catalogue shopping account. I've also considered Freemans' actions when Mr C fell into arrears and it became aware he was having difficulty making his payments.

In doing so, it looks like Freemans took steps to reduce Mr C's credit limit, from February 2021 onwards, after he fell into persistent debt on the account. Furthermore, when Mr C began missing payments from September 2021, he explained that this was because he had changed employment and his monthly payment date was no longer compatible when he was paid. Mr C's monthly payment date was changed and the information provided also shows that Freemans tried to help Mr C clear his arrears by setting up more than one interest free payment arrangement with him.

Therefore, from the information I've been provided with, it seems to me that Freemans has attempted to exercise forbearance in accordance with its regulatory obligations as and when it became aware of Mr C's difficulty making his payments. As this is the case, I've not been persuaded that it acted unfairly in relation to this matter either.

Nonetheless, I would also remind Freemans of its continuing obligation to exercise forbearance and due consideration in relation to this outstanding debt going forward. I note that in its response to my provisional decision Freemans has confirmed that it is aware of these obligations and intends to offer appropriate support going forward.

For the sake of completeness, I'd also add that Mr C may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with any other actions in relation to Freemans exercising forbearance going forward.

In reaching my conclusions, I've also considered whether the lending relationship between Freemans 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 explained, I've not been persuaded that Freemans irresponsibly lent to Mr C or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall, and based on the available evidence, I've not been persuaded that Freemans acted unfairly when providing Mr C with his catalogue shopping account, increasing his credit limit, or responding to any payment difficulties. So I'm not upholding this complaint.

I appreciate that this will be very disappointing for Mr C – particularly as our investigators, albeit erroneously, suggested that the complaint should be upheld. But I hope he'll understand the reasons for my decision and that he'll at least feel that his concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 14 May 2025, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 July 2025.

Jeshen Narayanan
Ombudsman