

The complaint

Miss K complains that Next Retail Limited (Next) acted irresponsibly by agreeing to a credit facility she said she couldn't afford

What happened

Around June 2023 Miss K applied for a revolving credit facility (catalogue account) with Next. Her application was successful and Next applied a credit limit of £300. No further credit limit increases were applied. Miss K said she'd previously struggled financially and that she'd a low income. She said had Next properly checked her financial situation they would have seen she couldn't afford to sustain the repayments. And by Next agreeing to lend to her they'd added to her financial burden. Miss K complained to Next.

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

Miss K wasn't happy with Next's response and referred her 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.

Miss K 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 Miss K, while I empathise with the position she is in, for me to say Next must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else.

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 Miss K 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 Miss K 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, rather than in one go. Next was approving a credit limit of £300. So, I think they could have reasonably assumed Miss K would need to pay £15 each month to clear the full amount within a reasonable period.

Next said they used Miss K's application data and cross checked this with a CRA. This showed Miss K had nine active accounts, and she'd two county court judgements (CCJ), the last being around six years prior to this lending. Miss K also had two defaults registered, with the last having been registered 29 months prior to the lending. The CRA check showed at the time of the lending Miss K's credit commitments were being well managed and reasonable. The CRA check gave Miss K for Next's affordability assessment a Customer Indebtedness Indicator (CII) of 49.

I take on board Miss K's comments about her financial situation. 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 Miss K had on her credit file and decided to lend which, in the circumstances, I think was reasonable, as the CCJ's had happened around six years or more prior to this lending, and the defaults had been registered 29 months or more, so I'd consider them to be historic. And the credit check showed Miss K was managing her active credit commitments.

Next has shown that they consider a consumer's CII in their assessment. For example, any CII over a certain limit would be declined credit. A CII deemed to be within a middle range the credit limit would be held at £300. For those with a low CII Next would consider a credit limit between £300 and £2,000.

Miss K's CII was 49, which was at the low end of the middle range. So, I think Next by applying a £300 credit limit shows they'd factored Miss K's circumstances into their assessment to mitigate any risk to her, which I think is reasonable.

Miss K said her circumstances weren't properly considered by Next. But I'm satisfied the checks Next did were proportionate and fair. I think anything further would have been disproportionate given the amount being borrowed. And I don't think that there was anything immediately obvious in the information that Next had which meant they shouldn't rely on it.

So I don't think Next needed to ask Miss K to provide further evidence in support of her income and expenditure such as bank statements, before providing her with a credit limit in this instance. I say this as though the checks showed Miss K 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 Miss K wouldn't have been able to sustain the repayments of around £15 a month.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Miss K 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 Miss K 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 Miss K to accept or reject my decision before 1 December 2025.

Anne Scarr
Ombudsman