

Complaint

Mrs C has complained that Next Retail Limited (trading as “Next” Online) irresponsibly provided her with a catalogue shopping account and credit limit increases. She’s said that this credit was unaffordable for her and it resulted in her experiencing ongoing difficulties.

Background

This complaint concerns a catalogue shopping account Next initially provided to Mrs C in June 2018. Mrs C was initially given a credit limit of £600. This limit was immediately decreased to £300 in July 2018. It was then increased on three occasions at the following times:

November 2018 - £2,000.00
March 2019 - £3,750.00
August 2021 - £5,000.00.

From what I’ve seen, Mrs C only had a balance of above £2,000.00 for a very short period and therefore wasn’t charged interest as a result of the final two limit increases. Therefore, Mrs C did not lose out as a result of the third and fourth limit increases.

In August 2024, Mrs C complained saying that the catalogue shopping account and the credit limit increases Next provided were unaffordable for her and that they resulted in her financial position worsening.

Next didn’t uphold Mrs C’s complaint. When responding to our request for its file on Mrs C’s complaint, Next said that it believed Mrs C had complained about the initial decision to provide Mrs C with the account too late and this precluded us from looking at the complaint about this matter.

One of our investigators looked at everything provided and was not persuaded that proportionate checks would have shown Next that it shouldn’t have provided Mrs C with the catalogue shopping account or the limit increases. So she didn’t think that Mrs C’s complaint should be upheld.

Mrs C disagreed with our investigator’s conclusions and asked for an ombudsman to review her complaint.

My findings

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

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Next has argued that Mrs C’s complaint was made too late because she complained more than

six years after the decision to provide the account, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret Mrs C's complaint as being one alleging that the relationship between her and Next was unfair to her as described in s140A of the Consumer Credit Act 1974 ("CCA"). She also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mrs C's complaint. Given the reasons for this, I'm satisfied that whether Mrs C's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mrs C's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mrs C has not only complained not about the respective decisions to lend but has also alleged that this resulted in her financial position worsening.

I'm therefore satisfied that Mrs C's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between her and Next. I acknowledge Next may not agree we can look Mrs C's complaint about the decision to provide the account and the first six limit increases, but given the outcome I have reached, I do not consider it necessary for me to make any further comment, or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mrs C's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs C's complaint can be reasonably interpreted as being about the fairness of the lending relationship between her and Next, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Next) and the debtor (Mrs C), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mrs C's complaint, I therefore need to think about whether Next's decision to initially lend to Mrs C and increase her credit limit, or its later actions resulted in the lending relationship between Mrs C and Next being unfair to Mrs C, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs C's relationship with Next is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mrs C's ability to repay in circumstances where doing so would have revealed the catalogue shopping account or limit increases to been

unaffordable, or that it was irresponsible to lend. And if this was the case, Next didn't then remove the unfairness this created somehow.

Were the decisions to provide the catalogue shopping account and subsequent credit limit increases unfair?

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Next needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that Next needed to find out enough about Mrs C in order to have a fair understanding of whether she could afford to repay what she was being lent. Any checks carried out to find this out, could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable. But certain factors might point to the fact that Next should fairly and reasonably have done more to establish that any lending was sustainable for the consumer.

These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs C's complaint.

Next's decision to provide Mrs C with a catalogue shopping account

What's important to note is that Mrs C was provided with a revolving credit facility rather than a loan. This means that to start with Next was required to understand whether credit limits of £600 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limits of £600 didn't require especially high monthly payments in order to clear the full amount owed within a reasonable period of time.

Next hasn't been able to provide any information on the checks that it carried out when providing this credit. Given the decision to provide an account with a limit of £600 was made almost seven years ago, I don't think that Next no longer having this information is unreasonable. Therefore, I've not drawn any adverse conclusions as a result of Next not being able to provide the information on its checks.

Nonetheless, while I've noted what Mrs C has said about already having a lot of credit in her name, it is my understanding that any credit searches are unlikely to have shown that Mrs C had any significant difficulties repaying credit – such as defaulted accounts or county court judgements recorded against her at this stage.

Ultimately, it was up to Next to decide whether it wished to accept the credit risk of taking on Mrs C as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. I'm satisfied that Next did mitigate this risk by providing Miss S with a low credit limit to begin with.

As this is the case, I think that the checks Next carried out before providing Mrs D with a catalogue shopping account with a limit of £300, were reasonable and proportionate. Therefore, I find that Next didn't create any unfairness in its lending relationship with Mrs D when it initially opened her account.

Next's decision to increase Mrs C's credit limit to £2,000.00

In November 2018, Next offered to increase Mrs C credit limit to £2,000.00. So Mrs C would be in a position where she'd have to repay £2,000.00 plus interest within a reasonable period of time. As Mrs C ended up being provided with a limit of this much, I would have expected Next to have found out more about Mrs C's income and expenditure (including her regular living expenses and existing credit commitments) before providing this credit limit increase. As there's no suggestion that Next did this, I don't think that the checks it carried out before it offered this limit increase were reasonable and proportionate.

Even though I don't think that Next did enough to establish whether the repayments to this limit increase was affordable, this doesn't on its own mean that Mrs C's complaint should be upheld. This is because I would usually only go on to uphold a complaint in circumstances where I am able to recreate what the checks in question are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Therefore, I've gone on to decide what I think Next is more likely than not to have decided, in relation to offering the limit increase, had it done that here. As I've explained, given the circumstances here, I would have expected Next to have had a reasonable understanding about Mrs C's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs C has provided us with a view to understanding what such checks is more likely than not to have shown. Having done so, this information appears to show that Mrs C did have the funds, at the time of the lending decision at least, to make the required payments to a limit £2,000.00.

To explain, Mrs C has provided some bank account statements. The first thing for me to say is that Next did not need to obtain Mrs C's bank statements before lending. Indeed, it isn't even a requirement for a lender to request bank statements at this time. So I've not looked at these bank account statements because I'm of the view that Next ought to have obtained them from Mrs C.

Nonetheless and in any event, these statements don't clearly show me that Mrs C was struggling financially. I appreciate that Mrs C may have been using an overdraft. But using a financial product and being charged for doing so, does not mean that a customer should not be provided with other credit.

Furthermore, and most importantly, the nature of Mrs C's transactions, which on the whole appear to have been discretionary, don't show me that she obviously couldn't make the required payments to the increased limit on the catalogue shopping account.

I note that Mrs C is unhappy that her limit was increased when she was using her overdraft. But the truth is if Mrs C is unhappy that her bank allowed her to use her overdraft in the way that it did, that is a matter for her to take up with her bank. More importantly, I don't agree that this means that Next should not have offered to provide her with the credit limit increase on this catalogue shopping account.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence which corroborates what Mrs C has said about not being able to make the increased monthly payments required should she have used the additional credit offered at the time Next offered to increase her credit limit to £2,000.00.

In reaching my conclusions, I also have to consider that Mrs C managed the catalogue shopping account well in the period prior to the limit increase. Mrs C never used all of the credit made available to her – for example, Mrs C didn't really use any of the extra credit granted as a result of the final two limit increases.

Furthermore, Mrs C's balance only ever went above £2,000.00 once. This was for an extremely small amount over a very short period of time. So I'm satisfied that Mrs C didn't lose out irrespective of the checks carried out for the final two limit increases. I'm also mindful that right up to the final limit increase being granted, Mrs C was regularly making repayments commensurate with repaying £2,000.00.

Therefore, this isn't a case where I can reasonably say that the limit increases and Mrs C's account usage ought reasonably to have shown Next that Mrs C's indebtedness was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Next to conclude that the facility had become demonstrably unsustainable for Mrs C, in the way she argues, either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs C, I've not been persuaded that reasonable checks would have shown Next that it shouldn't have provided Mrs C with this catalogue shopping account or the limit increase to £2,000.00. Furthermore, any unfairness that could potentially have been created by the final two limit increases never manifested as a result of Mrs C never using this additional credit either.

Overall, and based on the available evidence I don't find that the lending relationship between Mrs C and Next was unfair to Mrs C. I've not been persuaded that Next created unfairness in its relationship with Mrs C by unfairly lending to her whether when initially agreeing to provide her with catalogue shopping accounts, or in respect of increasing her credit limit. And I don't find Next treated Mrs C unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Mrs C's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

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

Jeshen Narayanan
Ombudsman