

The complaint

Mr M complains that Frasers Group Financial Services Limited trading as “Studio” irresponsibly provided him with a catalogue account.

Mr M is represented in bringing this complaint but for ease of reading, I’ll refer to Mr M throughout.

What happened

Studio provided Mr M with a catalogue account with a credit limit of £300 in June 2022. I understand the limit wasn’t increased.

Mr M complained to Studio. In summary, he said Studio didn’t conduct proportionate checks and this resulted in an unfair lending relationship under Section 140A of the Consumer Credit Act 1974.

In its final response, Studio didn’t uphold Mr M’s complaint. In summary, it said it didn’t lend irresponsibly and supported Mr M when he was unable to make payments, eventually writing the balance off. Mr M didn’t agree and so referred his complaint to our service.

Our Investigator didn’t uphold the complaint. In summary, they said the checks Studio carried out were proportionate and the overall lending fair.

Mr M didn’t agree. In summary, he said he had £14,000 in debt, a default, an account sold to a debt purchaser, had 10 late payments recorded in the last three months and had exceeded his credit card limits 12 times in the last six months.

The Investigator didn’t change their mind and reiterated what the lender’s credit checks showed.

Mr M said he still didn’t agree the checks were proportionate as he said the lender hadn’t checked for adverse information. And he requested an Ombudsman’s decision.

Because the parties couldn’t agree, the matter 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.

We explain how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Having carefully considered everything provided, I’m not upholding Mr M’s complaint – and I’ll explain why.

Studio needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr M could afford to repay before providing the lending. Generally, it might be reasonable and proportionate 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 it didn't continue to lend to its customer irresponsibly.

When Mr M was provided with the account, Studio was required to understand whether Mr M could sustainably repay the full amount it was prepared to lend.

Studio says its checks showed at the time that Mr M declared he was employed full-time with an income of £25,000 per year. It says Mr M also declared he had additional income totalling £45,000. Studio determined from its credit check that monthly payments towards existing credit commitments were around £320. It calculated Mr M would have around £1,236 in remaining income and so, after determining this lending would attract payments of around £18 per month, Studio said this would have left Mr M with £1,218 per month. Based on this, it felt the lending was affordable.

Studio says its credit check showed Mr M had six active accounts. There were no reported County Court Judgments ("CCJs"), bankruptcy, defaults, Debt Relief Orders ("DROs") or Individual Voluntary Arrangements ("IVAs"). Studio said Mr M's repayment history had a worst status of "1" meaning he was one payment behind on an external account.

So, it's certainly arguable, as our Investigator has said, that based on all of this, the checks carried out were proportionate and the lending fair. The credit limit agreed was relatively low, Studio's affordability calculations suggest this new lending would likely be affordable and there's nothing obvious in its checks that suggest it shouldn't have lent to Mr M.

Whilst Studio has shared its raw credit data from the credit checks it carried out at the time of lending, I haven't been able to decipher all of the information. This data would give us a clearer picture in terms of what Studio saw at the time of lending, in relation to its credit checks.

But, even if I were to say, because of this, the checks carried out weren't proportionate, I agree with our Investigator that the overall lending was fair. And I'll explain why.

I appreciate Mr M suggests the situation with his credit was much worse, including defaults and other financial strain, compared to what Studio says it saw. I accept that there is adverse information showing on the credit report Mr M has provided. But I don't necessarily agree Mr M's own credit report suggests he was in serious financial difficulty - and nor do I think it reveals information, on the whole, that's much different to Studio's. Particularly in context of how Mr M had been managing current external credit, as opposed to any historic accounts.

I say this because most of the adverse data happened some time before this lending, including defaults (most of which were paid off) and some arrears. Mr M had some minimal current arrears, and I can see he was slightly exceeding the limit on one of his credit cards at the time of this lending - and he may well have been making minimum payments. But overall, he didn't appear overly indebted (most of his external balances could be attributed to a hire purchase agreement) and most arrears had been brought up to date by the time of this lending.

Ultimately, I have to balance all of this against the fact that Studio agreed a low credit limit, that would have attracted a low monthly payment. As well as carrying out a credit check, Studio obtained information about Mr M's income and existing monthly credit commitments. From this, even if it had seen information similar to what's contained in Mr M's own credit report, I think Studio would have reasonably understood that Mr M could likely afford the low monthly repayments required on this new lending. In context of this and in all the circumstances of this case, I think the overall lending was fair.

Has Studio acted unfairly in any other way?

At times, Mr M missed payments on this account. Studio appear to have discussed Mr M's situation with him and applied "breathing space". However, ultimately, in January 2025, Studio agreed to write-off the outstanding balance. I think Studio's actions here are reasonable.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Studio lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 January 2026.

Sophie Kyprianou
Ombudsman