

## **Complaint**

Mrs G has complained that Frasers Group Financial Services Limited (then trading as “Studio”) 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 Studio initially provided to Mrs G in May 2018. Mrs G was initially given a credit limit of £300. This credit limit was then increased on nine occasions at the following times:

October 2018 - £500  
January 2019 - £600  
March 2019 - £675  
May 2019 - £750  
August 2019 - £900  
October 2019 – £1,250.00  
March 2021 - £1,500.00  
June 2021 - £1,750.00  
September 2021 - £1,950.00.

From what I’ve seen, Mrs G never had a balance over £1,750.00 and therefore wasn’t charged interest as a result of the final limit increase. Therefore, Mrs G did not lose out as a result of the final limit increases.

In January 2025, Mrs G complained saying that the catalogue shopping account and the credit limit increases Studio provided were unaffordable for her and that they resulted in her financial position worsening.

Studio didn’t uphold Mrs G’s complaint. When responding to our request for its file on Mrs G’s complaint, Studio said that it believed Mrs G had complained about the initial decision to provide Mrs G 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 Studio that it shouldn’t have provided Mrs G with the catalogue shopping account or the limit increases. So she didn’t think that Mrs G’s complaint should be upheld.

Mrs G 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. Studio has argued that Mrs G'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 G's complaint as being one alleging that the relationship between her and Studio 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 G's complaint. Given the reasons for this, I'm satisfied that whether Mrs G'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 G's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mrs G 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 G's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between her and Studio. I acknowledge Studio may not agree we can look Mrs G'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 G's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs G's complaint can be reasonably interpreted as being about the fairness of the lending relationship between her and Studio, 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 (Studio) and the debtor (Mrs G), 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 G's complaint, I therefore need to think about whether Studio's decision to initially lend to Mrs G and increase her credit limit, or its later actions resulted in the lending

relationship between Mrs G and Studio being unfair to Mrs G, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs G's relationship with Studio is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mrs G's ability to repay in circumstances where doing so would have revealed the catalogue shopping account or limit increases to be unaffordable, or that it was irresponsible to lend. And if this was the case, Studio 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.

Studio needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that Studio needed to find out enough about Mrs G 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 Studio 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 G's complaint.

*Studio's decision to provide Mrs G with a catalogue shopping account and the first five limit increases*

As the first five increases were for low amounts and took Mrs G's limit to maximum of £900, I think it's reasonable to consider the opening of the account and the first five limit increases together.

What's important to note is that Mrs G was provided with a revolving credit facility rather than a loan. This means that to start with Studio was required to understand whether credit limits of up to £900 could be repaid within a reasonable period of time. It's fair to say that a credit limit of up to £900 didn't require especially high monthly payments, in order to clear the full amount owed within a reasonable period of time.

Studio has said that it carried out credit searches which showed that Mrs G didn't have any recent significant difficulties repaying credit. She had no county court judgements recorded against her during the period of these lending decisions and while she did have at least one defaulted account showing against her this was from around three years prior to the account being initially opened.

Ultimately, it was up to Studio to decide whether it wished to accept the credit risk of taking on Mrs G 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 Studio did mitigate this risk by providing Miss S with a low credit limit to begin with and gradually increasing her limit in low increments.

Furthermore, I understand that Mrs G's initial limit was granted as she had previously operated a Studio cash account well. Finally, Mrs G didn't immediately max out any credit that she was granted, which is a sign of a borrower managing what they have reasonably. When this is coupled with the fact that Mrs G's external credit position wasn't deteriorating, I'm satisfied that Studio was reasonably entitled to conclude that the account and the first five limit increases were affordable.

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

*Studio's decisions to increase Mrs G's credit limit to £1,250.00 in October 2019; £1,500.00 in March 2021 and £1,750.00 in June 2021*

As I've explained in the background section of this decision, Studio offered to increase Mrs G credit limit on a further three occasions<sup>1</sup>. While the amount of the limit individual increases themselves could be said to be modest (£300, £250 and £250) the cumulative effect meant that would be in a position where she'd have to repay in excess of £1,750.00 plus interest within a reasonable period of time.

As Mrs G ended up being provided with limits of this much, I would have expected Studio to have found out more about Mrs G's income and expenditure (including her regular living expenses and existing credit commitments) before providing this credit limit increase. This is especially as it had been sometime since the account has been initially opened and there was the possibility that some of the information being relied on was now out of date. As there's no suggestion that Studio did this, I don't think that the checks it carried out before it offered these three limit increases were reasonable and proportionate.

Even though I don't think that Studio did enough to establish whether the repayments to these limit increases were affordable, this doesn't on its own mean that Mrs G's complaint should be upheld. This is because I would usually only go on to uphold a complaint in

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<sup>1</sup> As previously explained there was a further limit increase but that credit granted as a result of this was never utilised.

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 Studio is more likely than not to have decided, in relation to offering these limits increases, had it done that here. As I've explained, given the circumstances here, I would have expected Studio to have had a reasonable understanding about Mrs G's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs G 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 G did have the funds, at the time of the lending decisions at least, to make the required payments to limits of £1,250.00, £1,500.00 and £1,750.00.

To explain, Mrs G has provided some bank account statements. The first thing for me to say is that Studio did not need to obtain Mrs G'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 Studio ought to have obtained them from Mrs G.

Nonetheless and in any event, these statements don't clearly show me that Mrs G was struggling financially. Indeed, some of the statements suggest Mrs G had access to savings that could have immediately cleared any balance on the account. As this is the case, I'm afraid that I've not been provided with sufficient evidence which corroborates what Mrs G has said about not being able to make the increased monthly payments required should she have used the additional credit offered at the time Studio offered to increase her credit limit to £1,250.00, £1,500.00 and £1,750.00.

I've also noted that Mrs G has had some discussion with the investigator over her actual expenditure and the fact that she was gambling. I do accept that it's possible – but by no means certain – that if Studio had seen what I have now seen, it may have made a different decision on whether to lend, although I have to bear in mind that these statements also indicate savings balances too.

In any event, Studio wasn't aware of any gambling. And the truth is, given the circumstances here as well as what I think that Studio needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements from Mrs G – especially as bank statements weren't the only way that Studio could find out about Mrs G's living expenses in the first place. Furthermore, as Mrs G was being provided with goods which she wouldn't have been able to gamble, rather than cash, I think that this limits the relevance of any gambling in this instance.

In reaching my conclusions, I also have to consider that Mrs G managed the catalogue shopping account well in the period prior to the limit increases. Mrs G never used all of the credit made available to her – for example, Mrs G didn't really use any of the extra credit granted as a result of the final two limit increases. As explained, Mrs G never used the extra credit from the final increase at all and she rarely had balances over £1,500.00.

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

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs G, I've not been persuaded that reasonable checks would have shown Studio that it shouldn't have provided Mrs G with this catalogue shopping account or the limit increases up to £1,750.00. Furthermore, any unfairness that could potentially have been created by the final limit increases never manifested as a result of Mrs G never using this additional credit either.

Overall, and based on the available evidence I don't find that the lending relationship between Mrs G and Studio was unfair to Mrs G. I've not been persuaded that Studio created unfairness in its relationship with Mrs G 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 Studio treated Mrs G unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Mrs G's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs G. 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 G to accept or reject my decision before 16 February 2026.

Jeshen Narayanan  
**Ombudsman**