DRN-5785398

The complaint

Mr B complains that Frasers Group Financial Services Limited ("Frasers") irresponsibly provided him with two credit accounts because they were unaffordable for him.

What happened

Mr B had two accounts with Frasers – the first was granted by Studio in November 2019 and the second by Ace in December 2019.

The Studio account was opened with a £500 limit and was never increased. The Ace account was opened with a limit of £150 and was later increased on two occasions – first in March 2020 to £200 and the final increase took place in May 2020 to £350.

In January 2025 Mr B complained to Frasers. He said he was drowning in debt at the time and they ought to have realised from the way he was using the account. He said he was selling the items he bought to offset the debt with. Mr B asked for a refund of interest and charges as well as credit file amendments.

Frasers responded separately to both complaints. They said they adhere to strict guidelines and regulations when deciding to lend and the decisions made were borrower focussed and proportionate and therefore, they rejected Mr B's complaint.

Mr B wasn't happy with the response, so he referred the complaint to our Service. An Investigator here looked into things. They found the checks carried out for both account openings and the subsequent increase were proportionate, and fair lending decisions were made.

Mr B didn't accept what was said. He said he was ordering items to sell them to pay which he can evidence, he feels his statements weren't scrutinised by the Investigator enough, he said Frasers should've asked for more details about his financial circumstances at the time and by 15 months into the account he was in arrears, demonstrating clear unaffordability. Because an agreement couldn't be reached, the complaint 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.

The rules and regulations in place at the time Frasers provided Mr B with the credit required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Frasers had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr B. In other words, it wasn't enough for Frasers to consider the likelihood of them getting the funds back or whether Mr B's circumstances met their lending criteria – they had to consider if Mr B could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Frasers did what was needed before lending to Mr B.

Studio account – November 2019

When Mr B applied for a Frasers account, they gathered information regarding his financial circumstances. It recorded that he was earning a salary of around £32,000 per year and had low outstanding debt. He didn't have any defaults at the time of application, but there was one arrears marker for the last six months. This was collated using the information Mr B declared at application, and an external credit check.

I believe the checks Frasers carried out were proportionate, and considering the amount being provided to him, and the information they gathered in these checks, I don't think they acted unfairly when providing him with the credit. I say this because it was for a modest amount of £500, and there were although there was a potential sign of financial difficulty in the past, everything in recent months had been much improved. It wouldn't be a significant cost for Mr B to repay this credit in a reasonable period of time based on his salary and existing credit commitments.

Ace account – December 2019

There was a one month difference between the Studio account and the Ace account opening, and in that time Mr B declared quite a dramatically different income – he told Ace he was earning £26,000 a year which is around a £6,000 decrease. And while I realise this appears to be big, because Ace were providing Mr B with such a small amount of £150, I don't think they acted unfairly when not doing further checks here. If they were providing another £500 limit, I might be inclined to say they ought to have done more, but considering the restricted nature of the credit, and the low limit involved I think Ace did enough here.

It would be safe for them to assume most other information would be the same as the previous month, and therefore it follows that I don't think they treated him unfairly when opening the second account.

Both limit increases

In the months leading up to Mr B's limit increases, his accounts were being well managed. He was making overpayments and no adverse information was recorded. It wasn't until after the final limit increase that Mr B's payment record and external data started to take a decline. What I need to consider here is if Ace had reason to be concerned prior to May 2020 that Mr B would be unable to afford a limit of £350, and there were no indicators of financial difficulty before that time. So therefore it follows I don't think they did anything wrong when increasing his limit on this account both times.

When considering lending complaints, there are no specific checks that lenders must complete before approving an application for credit. The rules set out by the regulator merely state that checks should take place and that they should be proportionate to the type and amount of credit being provided. But there is no obligation on lenders to ask to see bank statements, so Frasers didn't make an error when they didn't automatically ask to see Mr B's bank statements before approving the applications.

Frasers have explained that when Mr B applied for credit, they reviewed his credit file. Having done so they were satisfied he had enough disposable income to meet the monthly repayments. So, they didn't ask for additional information before approving his application as there was nothing in the initial checks they completed to indicate that was necessary. I'm satisfied this was fair.

I've also thought about what Mr B said regarding selling the items to make money to repay the debt. I'm sorry that he was having to do this, but there's no way Frasers can reasonably be expected to be aware of this.

I would remind Frasers of their ongoing obligation to provide support Mr B and show forbearance if he's struggling financially, and I would encourage Mr B to reach out to Frasers if he needs this support as I can see he has done in the past.

In reaching my conclusions, I've also considered whether the lending relationship between Mr B and Frasers might have been unfair to Mr B under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Frasers did not lend irresponsibly when providing Mr B with the credit or by increasing his credit limit. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr B, I won't be upholding his complaint against Frasers for the reasons explained above.

My final decision

It's my final decision that I do not uphold this complaint against Frasers Group Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 May 2026.

Meg Raymond
Ombudsman