

Complaint

Mrs A has complained that Frasers Group Financial Services Limited (trading as “Ace”) 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 Ace initially provided to Mrs A in April 2007. It’s unclear what credit limit was provided at this stage. However, we’ve been able to see that Mrs A’s credit limit was increased to £550 in December 2020 and then £1,875.00 in July 2020

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

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

Mrs A 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. Ace has argued that part of Mrs A’s complaint was made too late because she complained more than six years after the initial 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 A’s complaint as being one alleging that the relationship between her and Ace was unfair to her as described in s140A of the Consumer Credit Act 1974 (“CCA”). He 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 A's complaint. Given the reasons for this, I'm satisfied that whether Mrs A'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 A's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mrs A 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 A's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between her and Ace. I acknowledge Ace may not agree we can look Mrs A's complaint about the decision to provide the account, 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 A's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs A's complaint can be reasonably interpreted as being about the fairness of the lending relationship between her and Ace, 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 (Ace) and the debtor (Mrs A), 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 A's complaint, I therefore need to think about whether Ace's decision to initially lend to Mrs A and increase her credit limit, or its later actions resulted in the lending relationship between Mrs A and Ace being unfair to Mrs A, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs A's relationship with Ace is therefore likely to be unfair if it didn't carry out enquires, in line with the expectations at the relevant time, into Mrs A'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, Ace didn't then remove the unfairness this created somehow.

Ace's initial decision to provide Mrs A with a catalogue shopping account

We do have an explanation about how we handle complaints about unaffordable and irresponsible lending on our website. However, the vast majority of our website guidance covers regulated lending. Ace' initial decision to lend to Mrs A not only predates the

regulation of consumer credit lending but it was also made prior to when the obligations, which our current guidance is based on, were introduced.

So I think that the information on our website and our typical approach to lending complaints has only very limited, if any, relevance to this part of Mrs A' complaint.

When Mrs A applied for a catalogue shopping account in April 2007, this predated the current regulator's (the Financial Conduct Authority ("FCA")) rules and guidance which came in in April 2014. Indeed, prior to March 2010 there were no universally agreed standards on what a lender was expected to do prior to lending.

That's not to say that there weren't any expectations or standards in relation to lending at the time Mrs A applied for a catalogue shopping account. There were various voluntary codes, such as the British Bankers' Association's ("BBA") Banking Code, in place at the time. But it would be fair to say that its obligations and responsibilities were not the same as they are now. For example, neither the concept of borrower focused assessments nor proportionate checks were part of the expectations or requirements at the time.

What a subscriber to the banking code – at the time of Mrs A's application – was expected to do was assess whether it felt that a borrower would be able to repay any lending. I accept that Ace wasn't a bank and therefore wasn't a member of the BBA. However, I do think that the banking code was reflective of good industry practice at the time. So it provides a useful yardstick in order for me to determine whether Ace did act fairly and reasonably.

What's important to note is that Mrs A's catalogue shopping account was a revolving credit facility rather than a loan. This means that to start with Ace was required to understand whether Mrs A could repay any limit provided within a reasonable period of time.

In this instance, I'm led to understand that Ace is likely to have agreed to Mrs A's application after it carried out a credit search. This was what lenders typically did before agreeing to provide credit at this time. Ace hasn't been able to provide any details on what it found out about Mrs A as a result of any credit checks that it carried out prior accepting Mrs A' application for an account.

Given this initial application took place approaching 20 years ago, I don't think that this lack of information is unreasonable. Therefore, I've not drawn any adverse conclusions as a result of Ace not being able to provide this information as part of its defence to Mrs A' complaint.

In any event, I'm also mindful that I've not been provided with any information and neither has it even been argued, that Mrs A had any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against her at this time. There's nothing to indicate that Mrs A wasn't in receipt of an income, or obviously wasn't eligible for an Ace account at this time either.

Ace clearly felt that Mrs A could repay the credit limit granted within a reasonable period of time. Furthermore, it's fair to say that the standards expected of lenders at this time was far more light touch than it is today.

As this is the case, I've not been persuaded that Ace' decision to provide Mrs A with her catalogue shopping account was unfair or that it resulted in unfairness going forward.

Did Ace act fairly and reasonably towards Mrs A when increasing her credit limit to £550 in July 2020 and then £1,875.00 in December 2020?

The decisions to provide these limit increases took place after regulation of consumer credit had passed to the FCA, in April 2014. So what we've set out regarding our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website is directly relevant to this part of Mrs A's complaint.

Ace needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that Ace needed to find out enough about Mrs A 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.

What's important to note is that Mrs A credit limit was only being increased by £90 at this stage. While I accept that Mrs A had been in an arrangement to pay with Ace for a few months in 2018, it's fair to say that Mrs A's account had been brought back up to date well before this. Indeed, it looks like Mrs A's account had been up to date for some time by the time this increase was offered. Equally, there wasn't anything else obvious to indicate that Mrs A wouldn't be able to repay an additional £90 within a reasonable period of time either.

As this is the case, I think that the checks Ace carried out before increasing Mrs A's credit limit to £550 were reasonable and proportionate. Therefore, I find that Ace didn't create any unfairness in its lending relationship with Mrs A when it increased her credit limit in July 2020.

As I've explained in the background section of this decision, Ace offered to increase Mrs A's credit limit to £1,850.00 in December 2020. It's unclear what it was that Ace saw about Mrs A's circumstances that led it to conclude she could afford what was a sizable limit increase.

In any event, as Mrs A could now end up owing close to £2,000.00, I would have expected Ace to have found out more about Mrs A'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 Ace 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 Ace did enough to establish whether the repayments to the final limit increase was affordable, this doesn't on its own mean that Mrs A'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 Ace 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 Ace to have had a reasonable understanding about Mrs A's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs A 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 A did have the funds, at the time of the lending decision at least, to make the required payments repay a maximum of £1,875.00 within a reasonable period of time.

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

Nonetheless and in any event, these statements don't clearly show me that when Mrs A's committed expenditure was deducted from her income, she did not have the funds necessary to repay £1,875.00 within a reasonable period of time. As this is the case, I'm afraid that I've not been provided with sufficient evidence which corroborates what Mrs A has said about not being able to make the increased monthly payments required should she have used the additional credit offered at the time Ace offered to increase her credit limit to £1,875.00.

In reaching my conclusions, I've noted that Mrs A's account ended up in persistent debt. And in August 2023, Ace reached out to Mrs A about setting up a repayment plan as per the regulator's persistent debt requirement rules. I appreciate that Mrs A has said that an affordability assessment wasn't carried out at this stage.

However, as this was a mechanism for repaying a debt that had already accrued at a cheaper rate of interest and Mrs A did have the opportunity to say that she couldn't afford the payments, if that was the case at this stage, I don't think that Ace's actions were unreasonable.

I've also thought about what happened when Mrs A went on to experience difficulty making her payments in early 2025. The information I've seen, indicates that in early 2025 Mrs A got in contact to say that she was struggling to make her payments. Ace carried out an income and expenditure assessment with Mrs A at this stage and saw that she had a negative disposable income.

From what I can see, it insisted on taking only token payments as a result, even though Mrs A wanted to pay more. As a lender is required to ensure that a customer experiencing difficulties making their payments doesn't pay more than they can, I don't think that Ace's actions were unreasonable in this regard.

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

As this is the case, while I can understand Mrs A's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs A. 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 A to accept or reject my decision before 2 March 2026.

Jeshen Narayanan
Ombudsman

