

The complaint

Mr C complains that Next Retail Limited trading as Next Online (Next) acted irresponsibly by agreeing to lend to him.

What happened

Around January 2021 Mr C applied for a revolving credit facility (store card) with Next. His application was successful with Next issuing him with a card that had a credit limit of £300. Around April 2023 Next increased Mr C's credit limit by £450 to £750. And around August 2023 they increased Mr C's credit limit by a further £750 to £1,500. Mr C said Next didn't sufficiently check the affordability of the credit limit increases as they should have seen he was reliant on credit. He also said he was only making minimum repayments on his Next credit account whilst using most of the credit available to him. So, by increasing his credit limit they added undue financial distress. He complained to Next.

Next said their checks had been reasonable and proportionate. They said Mr C had managed his Next account well, often paying more than the minimum required. But this had changed around January 2025 following which they'd reduced Mr C's credit limit. They said their decision(s) to lend to Mr C had been fair at the time of the lending, and it was more likely a change in his circumstances around January 2025 that had caused his difficulties.

Mr C wasn't happy with Next's response and referred his complaint to us.

Our investigator said the checks Next did at account opening were reasonable and proportionate for the type and amount being borrowed. But said the checks Next did for the credit limit increases had shown a high level of utilisation for Mr C's active credit commitments. They said Next should have looked further into Mr C's finances. But had they done so found that it was most likely that the lending was affordable as Mr C had sufficient disposable income to sustain the repayments.

Mr C didn't agree, he said some of his credit commitments hadn't been taken into account, so his disposable income was less than that calculated by our investigator. He asked for an ombudsman 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.

I appreciate my decision will disappoint Mr C but having done so I'm not upholding his complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Next offered the account they needed to complete reasonable and proportionate checks to be satisfied Mr C would be able to repay the debt in a sustainable way.

In deciding what was proportionate Next needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Mr C was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month. But CONC requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. Next initially approved a credit limit of £300. So, I think they could have reasonably assumed Mr C would need to be able to pay around £15 each month to clear any outstanding balance within a responsible period.

Given the relatively low amount being borrowed I wouldn't expect Next to carry out a detailed income and expenditure assessment. But I'd expect their checks to show Mr C had an income and that there weren't any adverse signs of financial difficulty. Next checked with a credit reference agency (CRA) which showed Mr C had nine active credit accounts, which were all up to date, being managed well. I think this was sufficient to show Mr C had an income and wasn't experiencing financial difficulty. As the checks didn't show Mr C had any arrears, defaults or county court judgments.

Mr C's complaint is about the credit limit increases applied by Next rather than the account opening. So, I've considered the checks Next did.

There isn't a set list of checks a lender must do. This means to reach my decision I need to consider if Next carried out proportionate checks at the time of each of Mr C's lending decision(s), if so, did they make fair lending decision(s) based on the results of these checks, and if not, what better checks would most likely have shown. I also need to consider the circumstances at the time of each additional advance in credit, whether there was a point at which Next ought reasonably to have realised they were increasing Mr C's indebtedness in a way that was unsustainable or causing financial duress.

Around April 2023 Next increased Mr C's credit limit by £450, so in their checks they needed to consider whether Mr C could repay an additional amount of around £22.50 each month to settle any balance within a reasonable period. Next carry out a monthly assessment to make sure they have an up-to-date credit worthiness position. As Next had internal data as to how Mr C was managing his account with them, they used this alongside the CRA data. The CRA data showed Mr C still had nine active credit accounts, with no signs of financial difficulty as these were being well managed.

Mr C's Next account showed he'd used around 88% of his credit limit for most of the time he'd had the account. And while on occasion he paid a little above the minimum required, overall, he was usually only paying the minimum repayment. I haven't seen any evidence of arrears or missed payments. But I can see from the CRA check that Mr C was utilising 72% of his active credit commitments. As Mr C was already using a high level of his available credit, and by only paying the minimum repayments I don't think he'd be clearing any outstanding balance within a reasonable period or showing evidence that he could sustain the increased repayment. So, I think Next should have checked to see whether they were increasing Mr C's indebtedness in a way that was unsustainable.

Mr C has provided his bank statements for the three months prior to the credit limit increase, as well as his credit report. While I wouldn't generally expect a lender to obtain bank statements, for our purposes they provide a good indicator of Mr C's income and expenditure around the time of the lending. In considering Mr C's outgoings I take on board his comments about his council tax (equating this across 12 months) and his other non-

discretionary outgoings from another of his bank accounts (as these are evident on his credit report). And his bank statements show regular transfers to and from this other bank account.

Having done so I can see for the three months, January, February and March 2023 Mr C's average income was around £3,400 (which reflects the higher than usual salary he received in March 2023). In considering his non-discretionary outgoings for council tax, insurance, mortgage, housing, food, utilities, car costs, eyesight, TV, internet and communications as well as his other credit commitments, including payments for credit cards. I've also taken account of payments in and out to a loan provider, and Mr C's non-discretionary spending from his other account, including his overdraft usage fee. Mr C's non-discretionary outgoings totalled around £2,961 which should have left him with an average disposable income of £439 before the new lending of around £22.50 was factored on. I haven't seen any evidence of Mr C not being able to meet his existing financial commitments. And his credit report doesn't show any adverse information such as defaults or county court judgments.

While the ability to repay credit without issue doesn't mean that there isn't financial distress. A good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. And the opposite is also usually the case, if credit is unaffordable this is usually demonstrated by a problematic repayment history, either to the credit or other bills. So, I'm satisfied had Next checked further they would have made the same lending decision, which seems fair.

Next increased Mr C's credit limit around four months later by £750. So, they would have needed to determine Mr C's ability to repay an additional amount of around £37.50 each month.

I've reviewed Mr C's bank statements for the three months prior to the credit limit increase. This showed he'd a regular income of around £3,065 (inclusive of his main job, second income, and regular payments into the account). I've again considered Mr C's non-discretionary outgoings as outlined above, including Mr C's outgoings from his other bank account. I consider his total non-discretionary outgoings to be around £2,755, which should have left Mr C with an average disposable income of around £290 each month (which is reflective of the amount Mr C says he had remaining each month) before the new lending is factored in. And I haven't seen any evidence that Mr C wasn't able to meet his existing financial commitments. So, I'm satisfied that Mr C should have been able to sustain his repayments as he'd sufficient disposable income.

I've also considered whether Next acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think Next lent irresponsibly to Mr C or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Although I'm not upholding this complaint, I'd like to remind Next of their obligations to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Mr C is experiencing financial difficulty.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 February 2026.

Anne Scarr
Ombudsman