

The complaint

Mr H complains that Next Retail Limited (Next) gave him a credit limit and subsequent limit increase, he couldn't afford to repay.

What happened

In December 2021 Mr H was given a catalogue shopping account with an initial limit of £300. This was increased to £600 in April 2022, before being reduced to £150 in November 2022. Mr H argues that Next failed to complete proportionate checks before agreeing his credit limit and subsequent increase. He says that as a result of this it gave him credit limits he couldn't afford to repay. Together with his representative, Mr H also argues that this created an unfair relationship under s.140 of the Consumer Credit Act 1974 (CCA).

Next considered his complaint but disagreed. It argued it completed proportionate checks and that as a result of this, it was reasonable to lend. Mr R didn't accept Next's response and so referred his complaint to our service.

One of our investigators considered the complaint but didn't uphold it. They thought Next had completed proportionate checks and as a result of this it made a fair lending decision. As an agreement couldn't be reached, the complaint has been passed to me to consider.

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.

Having done so, I'm reaching the same outcome as the investigator and I'm not going to uphold this complaint. I'll explain why below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr H's complaint.

Next needed to make sure it lent responsibly to Mr H. It therefore needed to complete sufficient checks to determine if Mr H could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Next has said that before agreeing the initial limit it completed a credit search. I can also see an indebtedness check was completed. This looked at Mr H's debt to income ratio and found he was within their tolerance to lend. This looks to have been completed shortly after the limit was given, but I think it indicates that Mr H was receiving an income (which is something he hasn't disputed).

Turning to the credit report results, I can see some adverse information including a CCJ and

a default. However, both were around three years prior to lending and so were historic. I've also noted there was eight active accounts of which seven were up to date in the last 12 months. So, Mr H had likely fallen behind on one account within the last 12 months.

In addition, whilst I think confirming Mr H's actual income is preferable, as Next highlights, this wasn't a requirement. However, I think some kind of confirmation that Mr H was receiving an income prior to lending should have taken place. So, I have some concerns with the checks which were completed.

However, the evidence suggests Mr H was receiving an income at this time (based on the indebtedness check completed around a month later). I'm also mindful that the limit being given was low and Next has said the typical repayment on a balance of the £300 given would have been £15 per month. Whilst there was some limited recent adverse information on his credit file, the vast majority of this was historic. So, taking everything into consideration, I think Next made a fair decision to agree the initial £300 limit.

Turning to the limit increase in April 2022, Next has said it considered Mr H's account management in that time and completed some credit reference agency checks such as looking at his indebtedness score. It was also fairly recently that Next had completed a credit search, so I think it would have been reasonable to also rely on this information.

The results of these checks showed an indebtedness score which suggested Mr H was still receiving an income. It also showed Mr H had met his contractual repayments in the preceding four months. And at times he had paid slightly more than the minimum repayment (although I accept that both the minimum repayment and overpayment were quite low amounts). As I've explained above, the credit search results taken at the time of the initial application showed that the vast majority of the adverse information was historic. In addition, I note that the minimum repayment on this limit would have been around £30 per month. So, taking all this into consideration, I think Next completed proportionate checks before increasing Mr H's limit. And based on this, I think it made a fair lending decision.

I appreciate Mr H's representative has argued the credit file results it has shows Mr H was regularly relying on payday lending. Whilst this may be detailed in the credit report it has, I can't see it in the results Next obtained. So, I don't think this is something Next would have been aware of (or should have been aware of) before agreeing to lend.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Next lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons explained, I don't uphold this complaint against Next Retail Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 January 2026.

Claire Lisle
Ombudsman