

The complaint

Mrs M complains that Frasers Group Financial Services Limited trading as Studio (Frasers) acted irresponsibly by lending to her.

In bringing her complaint Mrs M is represented by a third party. For ease of reading I will only refer to Mrs M in my decision.

What happened

Around November 2018 Mrs M applied for a revolving credit facility (catalogue account) with Frasers. Her application was successful with Frasers applying a £150 credit limit. There were several subsequent credit limit increases as listed below.

Date	Increase	Credit Limit
Apr-19	£50	£200
Jun-19	£50	£250
Aug-19	£100	£350
Oct-19	£200	£550
Jan-20	£200	£750
Oct-20	£50	£800
Nov-20	£800	£1,600

Mrs M complained to Frasers saying they hadn't properly checked whether she could afford the credit facility and subsequent credit limit increases. And said if they had they would have seen she was struggling financially, already being in a debt management plan.

Frasers said Mrs M had brought her complaint too late about the account opening. But said for the credit limit increases they'd carried out a credit worthiness assessment considering application and credit reference agency (CRA) data.

Mrs M wasn't happy with Frasers response and referred her complaint to us.

Both Frasers and Mrs M agreed to withdraw the account opening element of the complaint due to the time that had passed and lack of evidence. For the credit limit increases from April 2019 our investigator said Frasers checks weren't enough as they didn't obtain sufficient external data. On review of Mrs M's income and expenditure they said Frasers had made an unfair lending decision. And asked Frasers to put things right.

Frasers didn't respond to our investigator's outcome, so Mrs M's complaint has been escalated for an ombudsman to decide.

I issued a provisional decision in mid-December 2025 that said:

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.

While I agree that for some elements of Mrs M's complaint Frasers lent to her unfairly. I can't say that this was the case in all elements of her complaint. I'll explain why.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I've applied this in deciding Mrs M's complaint.

Frasers are required to lend responsibly. This means they needed to conduct checks to make sure that the credit they offered to Mrs M was affordable and sustainable. Such checks need to be proportionate to things like the credit limits they approved for Mrs M, how much she had to repay (including interest and charges) each month, her credit history, and what they knew about her circumstances. There isn't a set list of checks Frasers had to do.

This means to reach my decision I need to consider if Frasers carried out proportionate checks at the time of each of Mrs M's credit limit increases; if so, did they make fair lending decisions 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 Frasers ought reasonably to have realised they were increasing Mrs M's indebtedness in a way that was unsustainable or causing financial duress.

What's important to note is that Mrs M 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. I can see that Mrs M had a credit limit of £150 prior to the new lending in April 2019, so she would have needed to repay less than £10 each month. And I think Frasers by increasing Mrs M's credit limit by £50 could have reasonably assumed Mrs M would need to be able to pay an additional payment of around £2.50 each month to clear the outstanding balance within a reasonable period. As this is a relatively low amount, I wouldn't expect Frasers due diligence to be comparable say to that had Mrs M been seeking a high amount of credit repayable over a longer period.

I think its reasonable to conclude that a less detailed affordability assessment was proportionate such as validating Mrs M had a regular income and that she was actively managing her credit commitments - especially in the early stages of a lending relationship.

So, I've considered the checks Frasers did and what these showed.

As the data is no longer available for when Mrs M opened her account, I can't know what Frasers checks showed. When considering the checks Fraser did for the £50 increase, I'd take account of how Mrs M was managing the credit facility she'd with them. And as outlined above as this was for a relatively low amount, I'd expect any checks to be minimal. Such as confirming Mrs M had a regular income and that she was meeting her non-discretionary spending, without any signs of financial vulnerability.

From Frasers records I can see they estimated Mrs M to have an annual income of around £19,000, and that there wasn't any evidence of financial vulnerability. I can see from account inception that Mrs M settled her account in full for the first two months and paid more than the required minimum for one of the months, and £10 for each of the other months. I

generally wouldn't expect a lender to ask for bank statements when checking affordability for this amount of lending, as I think that would be disproportionate. CONC says a lender can validate a consumer's income through an independent source such as a CRA or third party.

Mrs M has provided us with her bank statements for three months prior to the credit limit increase. So, I can see had Frasers validated Mrs M's income at the time of the credit limit increase they would have seen she'd a regular monthly income of around £1,097.

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. And given the increased lending was for such a low amount and Mrs M's payment history with Frasers would have shown this was within her means, I can't say Fraser lent unfairly.

And having considered the credit limit increases for June and August 2019 which were for an additional £50 and £100 credit limit increase respectively, I've applied the same reasoning. So again, I don't think Frasers lent unfairly.

Around October 2020 Frasers increased Mrs M's credit limit for the fourth time within a six-month period, by £200, to £550. I can see from Frasers records that Mrs M quickly reached her previous credit limits within a short timeframe, going over her limit on one occasion. And she was generally only paying around the minimum required each month. I think Frasers should at this point considered whether a further credit limit would increase Mrs M's indebtedness to an unsustainable level or caused her financial duress. So, I would have expected them to check further into Mrs M's financial situation.

As I previously said I wouldn't expect a lender generally to request bank statements but for our purposes they provide a good indicator of not only Mrs M's income but also her non-discretionary expenditure. And I can see from the three months prior to the credit limit increase that Mrs M had a regular income. I can see she'd non-discretionary outgoings for household costs, food and communications. And I can see a monthly repayment which is most likely regarding a debt management plan. Mrs M was also consistently using her overdraft to a level comparable to her monthly salaried income. And was only ever out of her overdraft once when she had her salary paid in but within the same day after her non-discretionary outgoings were taken, she fell again into her overdraft.

So, I think had Frasers checked further they would have seen Mrs M was financially vulnerable as she was borrowing to meet her non-discretionary spending. And that she'd struggled financially before as she was most likely in a debt management plan. Added to this her use of her credit limit to the full within a short frame of time, and only making minimum repayments, I think shows Frasers acted irresponsibly by adding to Mrs M's financial burden. And by extension the same would apply to any further credit limit increases.

To put things right we'd usually ask a business to put a consumer back into the position they were in before the business did something wrong. But in cases of irresponsible lending this isn't possible given Mrs M has had the benefit of the monies lent to her by Frasers. So, I think its only right she should pay this back. But as I don't think Frasers should have provided Mrs M with a credit limit above £350, she shouldn't have to pay for any interest and charges that Frasers applied above this amount.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. But I'm satisfied the redress I have directed below results in fair compensation for Mrs M in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Responses to my provisional decision

Mrs M didn't ask for any further representations to be considered.

Frasers provided additional data relating to their affordability decision. But I've not been persuaded to change my outcome. I'll explain why.

Frasers has provided data that they say shows Mrs M had sufficient disposable income to sustain her repayments. And that she was managing her active accounts without missing any payments. They also said Mrs M's debt was relatively low in comparison to her income.

But as I mentioned in my provisional decision it wasn't until the fourth credit limit increase within a six-month period that I think Frasers needed to do more. Any lending should be borrower focussed so it wasn't simply about Frasers getting their money back but the impact on Mrs M herself. Whilst Mrs M's credit history may have looked good, Frasers' records show she was utilising her credit limit, after each credit limit increase to the full, and she'd already exceeded her limit, whilst she was only making minimum payments. And this over a very short timeframe. This should have raised some concerns about Mrs M's ability to support further lending and the increase to her indebtedness. And so, I think Frasers needed to look further into Mrs M's actual financial situation.

Had Frasers checked further I think they would have found that Mrs M was already borrowing to meet her existing credit commitments. And she'd a history of financial difficulty as she was most likely already in a debt management plan. So, I think further checks showed Frasers acted irresponsibly by adding to Mrs M's financial burden as she was already financially vulnerable.

My final decision

I partially uphold Mrs M's complaint. And ask Frasers Group Financial Services Limited trading as Studio to:

- Rework the revolving credit facility removing all interest and charges that have been applied above the credit limit of £350. Deduct any payments made by Mrs M from the remaining amount.
 - a) If Mrs M has paid more than this amount any overpaid balance should be refunded to her plus *8% simple interest (calculated from the date the overpayments were made until the date of settlement). And remove any adverse information about the unfair lending from Mrs M's credit file.
 - b) If Mrs M hasn't paid enough to settle the capital balance Frasers should work with her to agree an affordable repayment plan. And once any remaining balance has been settled remove any adverse information about the unfair lending from Mrs M's credit file.

If Frasers has sold the debt to a third party, they should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*His Majesty's Revenue & Customs requires Frasers to deduct tax from any award of interest. It must give Mrs M a certificate showing how much tax has been taken off if she asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 26 January 2026.

Anne Scarr
Ombudsman