

The complaint

Mr R complains that Frasers Group Financial Services Limited trading as Frasers Plus (Frasers) acted unfairly by increasing his credit limit to a level that he said wasn't sustainable for him.

What happened

Around September 2019 Frasers applied a credit limit of £200 for a revolving credit facility (catalogue account) for Mr R. Frasers increased Mr R's credit limit in incremental steps, around January 2020 to £250, April 2020 to £500, August 2020 to £1,000 and around November 2021 to £1,200. Mr R said he was able to manage the initial credit limit and first credit limit increase but struggled to sustain the repayments after the credit limit was increased to £500. He complained to Frasers saying they hadn't properly checked his financial situation before increasing his credit limits to a level which he said wasn't sustainable. Mr R said had Frasers checked they would have seen he was no longer able to work and was already struggling to meet his essential needs.

Frasers said their checks were reasonable and proportionate. And based on these checks they'd made fair lending decision(s).

Mr R wasn't happy with Frasers response and referred his complaint to us.

Our investigator said Frasers should have done further checks before agreeing to increase Mr R's credit limit around August 2020 and November 2021. But Mr R hadn't provided sufficient information for them to decide whether the lending was affordable or not.

Mr R didn't accept our investigator's outcome and asked for his complaint to be referred for an ombudsman to decide.

I issued a provisional decision in February 2026 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.

Having done so I'm currently minded to reach a different outcome to our investigator. I'll explain why.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities - in other words, what I consider is most likely to have happened considering the available evidence and the wider circumstances.

Mr R isn't disputing the account opening credit limit of £200 or the first credit limit increase of £50 to £250, so while I may refer to these in my decision I will not comment on whether these lending events were fair or not.

We've set out our approach to irresponsible and unaffordable lending on our website. I've

used this approach when considering Mr R's complaint. 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 Frasers offered the credit limit increases, they needed to complete reasonable and proportionate checks to be satisfied Mr R would be able to repay the debt in a sustainable way.

In deciding what was proportionate Frasers 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.

Frasers needed to take reasonable steps to ensure they didn't lend irresponsibly. In practice this means that they should have carried out proportionate checks to make sure Mr R could afford to repay what he was being lent in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and Mr R's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. I've considered the checks Frasers did when they increased Mr R's credit limit by £250 to £500. These showed Mr R had an annual income of around £19,000, he was using around 47% of his available credit limit. And Frasers credit history checks showed no adverse information such as missed payments, defaults or county court judgments (CCJ). Frasers also had the additional information as to how Mr R was managing his credit facility with them.

From Frasers records I can see Mr R was managing his account well with no missed payments, late fees or over the limit charges. And that he was paying more than the minimum payments required each month. So given £250 was a relatively low amount I'm satisfied the checks Fraser did were reasonable and proportionate to the type and amount they were lending to Mr R. And based on these checks I'm satisfied they made a fair lending decision.

Around August 2020 Frasers increased Mr R's credit limit by a further £500. I can see from the evidence provided by Frasers that these checks showed Mr R's annual income was around £21,000, he was using 74% of the credit limit available to him. And Frasers credit history checks didn't show any adverse information.

From Frasers records I can see that Mr R had used 95% of his credit limit within the four months of his credit limit being increased. But I can also see Mr R paid over £600 into his account in early August 2020 putting his account into a credit balance. While the ability to repay credit without issue doesn't mean there isn't financial distress. A good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. Frasers credit check didn't show any evidence of financial vulnerability as there wasn't any adverse information recorded. So, I can't say Frasers acted unfairly in increasing Mr R's credit limit, the checks they did were reasonable and proportionate for the type and amount they were lending. And based on these checks the lending should have been affordable for Mr R.

But I don't think Frasers acted fairly when they increased Mr R's credit limit by a further £200 around November 2021. I can see from the checks Frasers did that Mr R's annual income had reduced to around £17,000, he was using on average 93% of the credit limit available to him. And the credit history checks showed Mr R had late payment markers for two of the preceding six months.

From Frasers records I can see in September 2020 Mr R had questioned a £12 fee for late

payment. Also, his records show default sums several times during 2021. And Mr R was over his credit limit in February, March, and June 2021, being just under his credit limit for the three months prior to his credit limit being increased further.

I think Frasers checks showed Mr R was now struggling to meet his credit commitments being behind for two of the preceding six months. Added to which his annual salary had decreased. And he was incurring fees and charges for being late or over the limit with his credit facility with them. I think based on the checks Frasers did, it wasn't fair to lend further to Mr R as there was sufficient evidence to show he would struggle to sustain the repayments. So, I don't think it was fair for Frasers to add to Mr R's financial burden further by increasing his credit limit in November 2021.

I've also considered whether Frasers acted unfairly or unreasonably in some other way given what Mr R 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 I'm satisfied the redress I've directed below results in fair compensation for Mr R 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

Frasers haven't provided any further comment or representations for consideration.

Mr R didn't accept my provisional decision. He said he hadn't signed any credit agreement with Frasers. Evidenced by Frasers failure to provide him with a signed copy. He said the balances should be cleared as Frasers didn't have an enforceable contract.

It's not within the remit of this service to decide whether a debt is enforceable. Only a court can do that. Our role is to consider what is fair and reasonable in all the circumstances. Our investigator said that without a signed document, using the credit facility typically signifies acceptance of the credit and the obligation to repay what has been borrowed.

Section 78 of the Consumer Credit Act 1974 (section 78) says:

"The creditor under a regulated agreement for running account credit, within the prescribed period after receiving a request in writing to that effect from the debtor and payment of a fee of £1 shall give the debtor a copy of the executed agreement (if any) and of any other document referred to in it."

CONC 13.1.14 (1) says:

"the copy of the executed agreement should be a 'true copy' of the original. However, as confirmed in the case of Carey v HSBC Bank plc [2009] EWHC 3417 (QB), in this context the term 'true copy' does not necessarily mean a carbon, photocopy, microfiche copy or other exact copy of the signed agreement. There is no obligation to provide a copy which includes a copy of the signature."

CONC 13.1.14(2) says:

"the firm can reconstitute a copy. It can do this by re-populating a template of the relevant agreement form with the details of the specific agreement taken from its records. If the firm does provide a reconstituted copy, it should explain that that is what it has done, to avoid misleading the customer that this is a contemporaneous copy."

I can see that Frasers told Mr R his initial account was opened in 2014, with the credit limit being applied in 2019, and due to the time elapsed they no longer held a copy of his signed agreement. I don't draw any adverse conclusions from this given the passage of time. And I can see Frasers provided Mr R with a template copy of a credit agreement together with his credit agreement number and precontract information.

I can also see from Frasers records that Mr R was made aware of the debt he owed, as they sent statements to him each month. And that Mr R used his account to make purchases and that he made repayments towards his outstanding balance on a regular basis. So, I'm satisfied that Mr R had the benefit of the revolving credit facility, and I don't think it's unreasonable for Frasers to seek repayment of that debt.

As I outlined in my provisional decision, I'm satisfied the checks Fraser did up to the credit limit increase around November 2021 were reasonable and proportionate, and that they'd made fair lending decision(s). But I don't think this was the case for the credit limit increase around November 2021.

Putting things right

When a business has done something wrong, I'd look for the business to put the complainant in the position they would be in now if the mistake they'd made hadn't happened, as far as is reasonably practical. But Mr R has used the credit facility so, it's right that he should repay what he borrowed as he has had the benefit of those funds. But I don't think it's fair and reasonable that Frasers should apply any interest fees and/or charges incurred by Mr R because of the credit unfairly extended to him.

My final decision

I partially uphold this complaint. And to ask Frasers Group Financial Services Limited trading as Frasers Plus to:

- Rework the account removing any interest and charges incurred as a result of the credit limit increase applied from 23 November 2021 (including any buy now pay later interest).
- Work out how much Mr R would have owed after the above adjustments. Any repayment Mr R made since 23 November 2021 should be used to reduce the adjusted balance.
- If this clears the adjusted balance any funds remaining should be refunded to Mr R along with 8% simple interest per year* - calculated from the date of overpayment to the date of settlement.
- If after all adjustments have been made Mr R no longer owes any money, then all adverse information regarding the unfair lending should be removed from his credit file. Or
- if an outstanding balance remains, Frasers should look to arrange an affordable payment plan with Mr R for the outstanding amount. If any debt was sold to a third party, Frasers should either repurchase the debt or liaise with the third party to ensure the above steps are undertaken. Once Mr R had cleared the balance, any adverse information because of the unfair lending should be removed from his credit file.

*HM Revenue & Customs requires Frasers to deduct tax from any award of interest. It must give Mr R a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 April 2026.

Anne Scarr
Ombudsman