

## **The complaint**

Miss T has complained that Studio Retail Limited ("Studio Retail") irresponsibly lent to her.

## **What happened**

Miss T opened a shopping account with Studio Retail in October 2016. At that point his credit limit was set at £100. It was increased several times over the course of the agreement until in October 2019 it was £1,500.

Miss T says that she struggled to repay the credit. She intimates that Studio Retail didn't do enough to check she could afford the credit.

Studio Retail says it did all the necessary checks before it lent to Miss T and before it increased Miss T's credit limit and that it acted appropriately and fairly.

Our investigator thought that Miss T's complaint shouldn't be upheld.

Miss T, through her representative, did not agree. But she didn't provide any more information or explain why she disagreed.

The complaint has been passed to me for a decision.

## **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Miss T's complaint.

Studio Retail needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss T could afford to repay what she was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Miss T'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.

Studio Retail has explained that it did checks through a credit bureau when the account was opened and when the limit was increased. The evidence it has now of those checks is limited because of the length of time since they happened. However, at account opening it says there was no evidence of any recent defaults on other credit, or any County Court Judgements or debt management plans. The bureau data provided an assessment of

affordability and indebtedness which caused Studio Retail no concern and Miss T's creditworthiness was considered to be good.

Miss T's opening credit limit was only £100, which meant sustainable repayments if she used all of that credit straightaway would have been in the region of £5 a month. I think on this basis Studio Retail did sufficient checks.

There were five small increases from November 2016 to February 2017 at which point the limit was £500. But there is nothing in the limited credit check information provided by Studio Retail or in the way Miss T managed her account which might have suggested that Miss T couldn't afford to repay the credit. I think that Studio Retail conducted necessary and proportionate checks in relation to these increases.

It is arguable that later in the relationship, before further credit limit increases were provided, Studio Retail should have sought more information from Miss T about her circumstances. I can see that Miss T made a late payment in December 2017 (although Miss T made up the repayment within a couple of days). It may have been appropriate for Studio Retail to ask Miss T more about her income and expenditure, although I acknowledge that Miss T was only using a small proportion of her existing credit limit.

I can see that Miss T began to get into financial difficulty in March 2021. She was furloughed and eventually lost her job. But this was after Studio Retail made its decisions about offering her credit.

When Miss T responded to our investigator's view, she didn't say what it was about the view that she disagreed with. She did say she'd try to provide bank statements from the time. This might have shown that the limited information Studio Retail had at the time of each lending decision wasn't sufficient to support its decisions to increase her credit limit, or that the information it had was incorrect. But Miss T didn't supply those bank statements, so I can't know with any certainty that if Studio Retail did all the checks it needed to do that it would have seen anything to suggest Miss T couldn't afford the borrowing.

For this reason, I don't have enough information to satisfy me that Studio Retail didn't complete proportionate checks or, in the alternative, if it didn't complete proportionate checks that if it had done them, it would have seen anything which might have made it act differently and not provide the original lending or credit limit increases. And I can't say that Miss T lost out as a result of anything Studio Retail might have done wrong.

### **My final decision**

I do not uphold Miss T's complaint so it follows that Studio Retail Limited doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 11 October 2023.

Sally Allbeury  
**Ombudsman**