

The complaint

Via a professional representative, Mrs W complains that Studio Retail Limited ("Studio"), provided her with a catalogue shopping account that she could not afford, and twice increased the credit limit.

What happened

In October 2018 Studio approved a catalogue shopping account with an initial limit of £500 for Mrs W. In April 2019 it increased that limit to £650, and again to £850 in March 2020.

It would seem that in the past couple of years Mrs W has had some difficulties making repayments, but that the account remains open and in good standing.

In January 2023, Mrs W complained to Studio. After it rejected her complaint, Mrs W brought the case to our service. One of our investigators looked at the evidence and thought that Studio hadn't done anything significantly wrong. Mrs W doesn't accept that, although hasn't said why, and asked that the case be passed to an Ombudsman for review.

She also initially complained about an historic account with Studio. However, our investigator explained why that complaint was not within our jurisdiction, and Mrs W accepted that. So this decision will only consider the account opened in October 2018.

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 not upholding this complaint and I'll explain why.

Studio was required to carry out sufficient checks to determine whether Mrs W would be able to repay the borrowing it was making available to her in a sustainable way. The rules in place don't require any particular or named evidence to be gathered, or that a business automatically verifies everything it is told by a customer. Simply that the checks be proportionate.

Studio used a high-level credit check in order to decide whether to approve her application in October 2018. It also says it used information obtained from Mrs W in its checks, but I've seen no evidence of what that was.

The credit check was not a detailed credit file review, but instead gave summary headlines about Mrs W's financial management and indebtedness. I can see it raised no concerns which ought to have led Studio to either ask further questions or to turn down her application. Whilst it showed that she was in an arrangement to pay on another account, in the round, given her low level of indebtedness, and the fairly modest credit limit it was approving, I don't think that in isolation was enough to indicate the need for further checks.

By the time of the first credit limit increase to £650 in April 2019, Studio again used high-

level credit file information, along with how Mrs W had managed this account in the preceding six months, when assessing whether it was fair to offer her additional borrowing. Credit file information continued to reveal nothing of serious concern, and apart from one late payment, her management of the account was sound. So at that stage, I think Studio's checks went far enough and increasing her credit limit was not unreasonable.

The investigator thought that at the time of the second and final credit limit increase in March 2020, Studio's checks continued to be proportionate, all things considered. I disagree, but as it ultimately makes no difference to the outcome of this case, there is no need for me to set that out in a provisional decision.

Whilst I acknowledge that the second credit limit increase to £850 was relatively modest, and that high level credit file information revealed nothing of significant concern, I also note that from October 2019, Mrs W appears to have struggled to remain within her credit limit on the account. As a result there were multiple charges levied, and overall I think it would have been prudent for Studio to have asked further questions before increasing the credit limit again.

However, this makes no difference to the outcome of this complaint as I have no evidence to demonstrate what Studio would most likely have found had it undertaken more in-depth checks. Whilst not explaining why Mrs W didn't accept the investigator's view of this case, her professional representatives also said they would be providing further. However, nothing has been forthcoming.

So, although I don't think Studio's checks went far enough in March 2020, I have no evidence to suggest more in-depth checks would most likely have shown that the credit limit increase was not affordable and sustainable for her.

It therefore follows that I don't uphold this complaint.

My final decision

For the reasons I've explained, I don't uphold this complaint and Studio doesn't need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 17 November 2023.

Siobhan McBride

Ombudsman