

The complaint

Miss K complains that Freemans Plc ('Freemans') irresponsibly granted her a catalogue account she couldn't afford to repay.

What happened

Miss K entered into an agreement with Freemans to have access to credit with an account that was opened for her in July 1996.

There is very little further information that Freemans still holds about the account, which is not unusual after so much time. But Freemans has been able to confirm that a number of credit limit increases were granted, the last one being in January 2014 which took the credit limit up to £5,000.

Miss K got into difficulty with managing her account in or around February 2022.

Miss K brought her complaint to us in November 2022. She says that Freemans didn't complete adequate affordability checks when it opened her account.

Freemans didn't agree. It said that it carried out a reasonable and proportionate assessment to check Miss K's financial circumstances before granting her each credit limit increase.

Our adjudicator didn't recommend the complaint be upheld.

Because Miss K didn't agree and so her complaint has been passed to me for a final 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Freemans will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Miss K's complaint is that Freemans made credit available to her that was unaffordable. Given that this service is only able to look into complaints about unaffordable and irresponsible lending from April 2007 and going forwards, I am not able to comment further about the merits of the decision to grant Miss K the credit in July 1996.

Before granting any increased credit limit, I would have expected Freemans to look into Miss K's financial situation. But given that I have no information about what happened when the limit was increased to £5,000 in January 2014, or for any previous increases to the level of credit, I can't say whether Freemans gathered a reasonable amount of evidence and information from Miss K about her ability to repay her account on each occasion. And although it's likely to have carried out some form of credit check at the time, I cannot make a finding on whether those checks were proportionate based on the very limited information that's available.

It's certainly possible that Freemans failed to make adequate checks before providing Miss K with the further credit. But even if that's true, based on what I've seen I don't consider that better enquiries would have caused it to think the opening credit limit it gave her was unaffordable.

I say this because, taking into account what we know about Miss K's income and financial situation at the time, the £5,000 credit limit appears likely to have been manageable. Miss K has provided us with some bank statements, covering the period before 2014. Miss K also gave us a credit report dated February 2023. Unfortunately, being so recent, this report doesn't help me in assessing whether Miss K should have been granted the most recent credit increase, in January 2014. Miss K also sent us tax returns but again these all post-date the last lending decision that Freemans made on the account which is the event I'm looking into.

I've looked at the various bank statements Miss K has sent us. But since I am looking at whether Freemans made a fair lending decision in January 2014, I have focussed on the statements from before that time. I've seen that Miss K was making regular use of her bank account overdraft facility and then going into credit when she received income, principally by way of state benefits. I've also noted that in 2013 Miss K was making regular payments to a bank loan and also a car loan that appears to have started in late 2013. At the same time Miss K was making regular deposits to a separate ISA savings account.

I therefore agree with our adjudicator that Miss K's overall financial situation appears to have been relatively stable and doesn't suggest that her circumstances were deteriorating to any significant extent before she was given the last credit limit increase by Freemans.

So, having considered all the submissions made in this case, and in the absence of any further evidence from Miss K to the contrary, I have seen insufficient evidence to think that a more thorough affordability check would have led Freemans to think that the additional credit it provided to Miss K was unreasonable.

I know that Miss K will be disappointed with my decision. But I want her to know that I fully considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

I'm therefore not persuaded that Freemans has acted unfairly.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 21 September 2023.

Michael Goldberg
Ombudsman