

The complaint

Miss M complains that Next Retail Limited ('Next') irresponsibly gave her a running account credit facility that she couldn't afford.

What happened

In 2005, Miss M applied for a catalogue shopping account through Next. The account started in June 2005, but our investigation can only start from April 2007 due to the regulations. We have information from August 2009, I've listed the important credit limit changes below:

First available balance	Aug 2009	£1,509
1 st increase	Jan 2010	£1,616
2 nd increase	Apr 2011	£2,200
3 rd increase	Sep 2012	£1,332
4 th increase	Apr 2013	£3,600
Decrease	May 2013	£3,000
5 th increase	Dec 2013	£3,600
6 th increase	Feb 2014	£5,000
Decrease	Jan 2017	£3,600
7 th increase	Sep 2017	£3,750
Last increase	Aug 2021	£5,000

In 2022, Miss M complained to Next initially that they were wrong to reduce her credit without giving her sufficient explanation in 2022. The complaint has become about the unaffordable nature of all the lending decisions on this account.

Our investigator recommended the complaint be upheld in part. Next didn't agree. So, the complaint was passed to me to decide.

I issued my provisional decision in respect of this complaint on 28 June 2023, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the investigator's view and that it was my intention not to uphold Ms D's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Next 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 M's complaint is that Next were wrong to reduce her credit without giving her sufficient explanation in 2022 and that they shouldn't have given her credit as it was unaffordable to her.

In the additional terms and conditions section of Miss M's credit agreement, it says,

"3. We can suspend, restrict or terminate your right to draw credit at any time for any objectively justified reason. This includes where there is an indication that the account payments may become unaffordable, such as where you have paid only the minimum monthly payment on several consecutive occasions."

Next suggested Miss M's credit score changed adversely at the time and they took action to reduce the credit limit at that time. And that was explained to Miss M when she called them. So, Next were not operating incorrectly when taking steps to reduce or suspend credit to Miss M. And an explanation was provided albeit that Next has offered to pay Miss M some money for not having dealt with her complaint better. That seems a fair outcome for that part of the complaint.

Miss M also thinks that Next shouldn't have given her credit as it was unaffordable to her.

Prior to providing credit to Miss M, Next says it carried out a credit check. It said the results of this satisfied it that Miss M could afford the credit limits it offered and that the credit limit was reviewed as they took new information each month. And they had Miss M's record of managing her account to consider in setting the credit limit.

Next haven't been able to provide more than a high-level summary of the results of that check to us, so I can't know exactly what they saw when they made their lending decisions. So, it's possible that Next failed to make adequate checks before providing Miss M with credit. But even if that's true, I have seen insufficient evidence to think better enquiries would have caused Next to think the credit limits they provided were unaffordable.

It is not straightforward trying to determine affordability because Miss M has not been able to provide bank statements from the whole time in question. And I have not had sight of any credit information from the times. So, I have no way of knowing the volume of any credit Miss M may have had or how Miss M was managing any existing credit she had at the time the lending decisions were made.

I have seen some bank statements from 2017. These have been helpful and I note that they show that the amount of outgoings equated largely to the incoming funds and that the funds into the account were not just Miss M's income. Whilst the account was run largely with a modest negative balance, there were times when it was in credit and the amount of the negative balance doesn't seem to have been such as to have made the lending automatically unreasonable.

And Miss M's account in 2017 with Next was well managed with no missed or late payments and payments that were above the minimum payment required.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Miss M to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Next to think that any of the credit they provided Miss M was unreasonable.

I know that Miss M will be disappointed with my decision and I was sorry to read about the difficulties of her personal situation. But I want Miss M to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint or ask Next to make an award greater than the one they have already made."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 12 July 2023. Next responded acknowledging receipt of my provisional decision. They said they have nothing further to add. Miss M has not acknowledged receipt of the provisional decision, has not provided any further submission or asked for an extension to provide one. I think that both parties have had sufficient time to have made further submissions had they wished to. So, I am proceeding to my 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.

Given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for not upholding Miss M's complaint, I have nothing further to add.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 10 August 2023.

Douglas Sayers
Ombudsman