

The complaint

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

What happened

In September 2010, Miss B applied for a credit account with Next. The initial lending and credit increases before January 2017 have been the subject of a jurisdiction decision and it has been found that they are lending decisions that cannot be considered by us. So, this decision looks at the merits of Miss B's complaint about lending decisions after January 2017.

The credit limit increases we are considering in this decision are as follows, to £3,000 in August 2019, to £3000 in April 2021 (following some credit reductions), to £3,750 in August 2021 and to £5,000 in January 2022.

In January 2023, Miss B complained to Next to say that the account shouldn't have been opened for her because it wasn't affordable.

Our investigator didn't recommend the complaint be upheld. Miss B didn't agree. So, the complaint has been passed to me to decide.

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.

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 B's complaint is that Next failed to make adequate checks before providing her with credit or increased credit.

Next has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer. The checks produced credit scores which took into account Miss B's overall credit commitment and Miss B's management of that credit. Next told us that Miss B's account was assessed on a monthly basis from the credit check information and the credit limit was set using that information and their observation of Miss B's management of the account.

It's possible that these checks could have been more searching. But even had they been I do not think that Next would have seen anything that made them think the lending was unreasonable. I'll explain why I say that.

I have noted the credit report that Miss B has provided. It shows no adverse information on it that would have led Next to think that Miss B was not managing her existing credit at the times of the credit limit increases to the account. And Miss B's management of her account would not have shown anything to deter further lending as the account was well run by Miss B.

And I've noted the bank statements that Miss B has provided. Whilst they do not cover all of the times that further credit was provided, they do cover a good stretch of those times. Mostly Miss B's income exceeded expenditure each month and the balances were mostly positive at the start and end of most months. There were some months when neither of those things were true, but they were not near the time of any credit increase decisions and they were in the minority of the statements I have seen. And any negative balance at the end of a month was comparatively modest compared to the income the statements show coming into the account in those small number of months. So, I don't think better enquiries would have caused Next to think the credit limits they provided were unaffordable.

And there were times when Next took action to limit the credit Miss B had available to her. Having looked at all the submissions made to me in this case, I am not persuaded that Miss B lost out as a result of unaffordable lending at a time when that lending was being reduced.

In general, I have noted that at times the credit limits were raised and at times reduced. And all these decisions were made by Next based on Miss B's management of her account and the credit file information that Next sourced monthly. And based on the submissions that have been made to us in this case, I'm not persuaded that fuller enquiries into Miss B's circumstances would have led Next to conclude it should have taken courses of action that were significantly different to those they took.

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 B to accept or reject my decision before 10 November 2023.

Douglas Sayers
Ombudsman