

The complaint

Miss N, who is represented by a third party, complains that Next Retail Limited (“Next”) irresponsibly gave her a catalogue account credit facility that she couldn’t afford.

What happened

In April 2018, Miss N successfully applied for a credit account with Next. She was given an initial credit limit of £150. Three credit limit increases were later applied to the account: to £300 in June 2018, to £2,000 in January 2019 and finally to £3,750 in July 2018.

Miss N’s use of the available credit reached £1,758 in February 2023.

Miss N complained to Next to say that the opening credit and subsequent credit limit increases were unaffordable for her.

Our adjudicator didn’t uphold Miss N’s complaint as she thought Miss N appeared to have been managing her account without getting into difficulty.

As Miss N didn’t agree 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 N’s complaint is that Next granted her an account that was unaffordable for her from the outset.

Before providing credit, and also before it increased her credit limits, Next says it carried out credit checks to decide on the amount of credit it was able to offer. Miss N had confirmed her monthly income as being around £2,800-£2,900. Her bank statements from the time suggest she was receiving a variable income, but broadly in line with that figure.

Going forwards, Next told us that Miss N’s account was assessed on a monthly basis from the credit check information and that credit limits were set using that information and also its observation of Miss N’s management of the account.

Looking first at the account opening, it’s certainly possible that Next’s checks weren’t as thorough or sufficient as they might have been. I say this having noted that Miss N had several credit cards open at the time, but I’ve seen they appeared to be managed well with no adverse markings on her credit file.

So from what I've seen, I don't think better enquiries would have caused Next to think the relatively modest opening credit limit of £150 was unaffordable. I also think that the increase to her credit limit to £300 in June 2018, just two months later, wasn't unfair or unaffordable given that it was a relatively modest increase and there was no indication at that point that Miss N might be getting into difficulty with the account.

Going forwards, I've seen that Miss N managed her account well and didn't get into difficulties by way of missing payments and building up arrears. Whilst she made purchases on her account on most months, she continued to use a low proportion of her available credit. I've seen that her use of credit elsewhere was increasing, but she didn't appear to be becoming over-reliant on credit and wasn't missing payments. Her monthly payments were always above the minimum required. So from looking at the way she was managing her account up to January 2023, I don't think I can say this necessarily shows that Miss N was experiencing significant financial difficulty.

Miss N sent us bank statements to review that included the months in which she was granted the two later credit increases, first to £2,000 and then to £3,750. I've noticed that Miss N was making regular use of her overdraft and incurring fees as a result. That does tend to suggest that Miss N's overall financial situation was not as good as it should be and any disposable income she had was in the context of continuing reliance on her overdraft, which is not ideal. I therefore do think when granting the two later credit limit increases it would have been sensible for Next to carry out proportionate checks to make sure that Miss N's financial situation was such that she could afford each increase. Reviewing her bank statements, as I have, would be one way to do this. But the question I have to ask is whether it's likely that the statements demonstrate that Miss N's financial situation was deteriorating, or was at the very least stretched to the point that there was a real risk that making full use of her increased balance would be likely to contribute to such a deterioration.

Having looked carefully at all the available information, I don't consider that the credit limit increase to £2,000 in January 2019 was unfair or unreasonable. And turning to the increase to £3,750 in June 2019, I think the question of whether such an increase was unfair or unreasonable is something that is less relevant. I say that because financial redress is designed to put someone back in the position as if the failing had not happened. In this case Miss N's account balance reached a level of around £1,000 in January 2022 and then went on to reach £1,758 by February 2023. Miss N's account usage once she'd been granted the £2,000 credit limit suggests she was able to use the account without incurring monthly payments at a level that was unaffordable and kept them at a sustainable level. And even if I were to think the June 2019 credit limit increase to £3,750 was unreasonable, there would not be any redress to pay, given that Miss N has suffered no detriment as a result of the actions of Next.

So, having considered all the available evidence and information, I can't say that I've seen sufficient evidence for me to find that more thorough affordability checks would have led Next to think that the credit limits it provided to Miss N were unreasonable and unaffordable. Further, I'm not persuaded that the way Miss N was managing her account ought to have prompted it to have acted differently than it did.

I know that Miss N will be disappointed with my decision. But I would like to reassure her that I have looked into all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

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 N to accept or reject my decision before 12 October 2023.

Michael Goldberg

Ombudsman