

The complaint

Mrs B has complained that Next Retail Limited trading as Next acted irresponsibly when it increased the credit limit on her catalogue shopping account in 2016.

What happened

Mrs B opened a catalogue shopping account with Next in 2010. Over the following six years her credit limit was increased from £1,400 to £5,000. Mrs B has said that by January 2016, when the final increase happened, her account wasn't affordable to her and that she ultimately ended up in a debt management plan (DMP). She believes that Next failed to do sufficient affordability checks when increasing her credit limit, and that once she joined the DMP in 2019, it failed to stop her from spending on the account despite it clearly being something she couldn't afford to do.

Next has said that when it increased the limit on Mrs B's account in 2016, it had been well maintained. It says that she had never missed a payment and had often paid more than the minimum amount required. It also says that when it was contacted by Mrs B in 2019 about the fact she'd entered a DMP her Next account wasn't included in the plan and it had been told the account would run normally. Between 2019 and 2021 the limit on Mrs B's account was reduced up until the point it was suspended in full. Therefore, it didn't think it had done anything wrong in 2016 when the limit was increased, or in 2019 when it became aware of the DMP.

Mrs B disagreed with Next's findings and brought her complaint to this service. One of our investigators looked into the complaint already. He found that although it was unclear that Next completed sufficient checks in 2016 before the limit increase, he couldn't see anything that indicated the limit increase was inappropriate. And he felt that Next wasn't wrong to allow Mrs B to continue to use the account after it found out about the DMP because it hadn't been included in the plan and Next had been told the account would continue to be maintained as normal. So he didn't uphold the complaint.

Unhappy with our investigator's findings Mrs B asked for an ombudsman to review her complaint and so it's been passed to me to consider.

My findings

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 agree with the findings reached by our investigator and won't be upholding the complaint. I know this will come as a disappointment to Mrs B so I'd like to explain why I've reached the outcome I have.

The initial lending decision by Next happened in 2010 and so is time barred under our rules. Therefore I can only look at what happened when Mrs B's credit limit was increased in January 2016 from £3,600 to £5,000.

Mrs B has told us that she was only working part time and couldn't afford such a high limit increase. Unfortunately, due to the passage of time it's not been possible to review Mrs B's financial information in detail as she doesn't have bank statements or credit file information dating back to January 2016. This is perfectly understandable given it was over six and a half years ago, but it does mean that I'm limited in what evidence I've been able to rely on.

Next has confirmed that Mrs B's account had been properly maintained and she'd met either the minimum repayments every month or above minimum. Therefore, it relied on a mixture of account history and credit scoring at the time when it approved the increase in January 2016. It has said there was nothing to indicate that Mrs B wouldn't be able to afford the limit increase and indeed looking at the account history I can see the first missed payment Mrs B ever had on the account didn't happen until after the limit increase. So, I can't see anything that would've indicated that the limit increase in January 2016 was unaffordable or that Mrs B would struggle to maintain the account. And so, I can't uphold her complaint on that basis.

Mrs B has also asked why in July 2019, when Next were notified she was on a DMP, it didn't immediately freeze her account and prevent her from spending on it. She has said that the fact that she had to enter a DMP should've alerted Next to the fact that she was struggling financially, and it should've realised she couldn't afford to keep running the account.

I sympathise with Mrs B's thinking on this point. However, it is important to acknowledge that just before it was made aware of the DMP Next reduced Mrs B's credit limit to £3,750 and then it continued to reduce it incrementally down to £1,500 before it was eventually closed in May 2021. Given the Next account wasn't included in the DMP and Next had been told the account would continue to be maintained as normal, I don't think it would've been an appropriate response for it to have immediately withdrawn the account as soon as it became aware of the DMP. And I'm satisfied that the limit on the account never increased again after the DMP was put in place.

Mrs B has alluded to the fact that other lenders, who provided her with different forms of credit around the same time, have upheld the complaints she brought to them. I can't comment on those cases as I'm unaware of the facts and we assess cases on their own individual merits. However, I can say that different forms of credit, such as personal loans or credit cards, are different to catalogue shopping accounts and the obligations expected of businesses can vary depending on the type of credit they've provided.

I know Mrs B will be upset with this outcome but having looked at everything she's provided, along with everything Next has provided, I can't say Next acted irresponsibly when it provided the credit limit increase in 2016 or in how it managed Mrs B's account after July 2019 once it became aware of the DMP. So, I can't uphold her complaint.

My final decision

For the reasons set out above I don't uphold Mrs B's complaint against Next Retail Limited trading as Next.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 11 October 2023.

Karen Hanlon
Ombudsman