

The complaint

Miss S complains that Next Retail Limited trading as Next Online (“Next”) irresponsibly provided her with, and increased the credit limit on, a credit account (“account”).

What happened

In November 2019 Miss S was granted an account by Next with a credit limit of £150.

In November 2020 Next increased Miss S’ account credit limit by £150 to £300.

In February 2023 Miss S complained to Next that it had been irresponsible in allowing her to open an account in November 2019 and in its decision to increase her account credit limit in November 2022.

In February 2023 Next issued Miss S with a final response letter (“FRL”). Under cover of this FRL Next said it didn’t believe it had acted, in November 2019 or November 2020, irresponsibly.

Miss S’ complaint was considered by one of our Investigators who ultimately came to the view that it shouldn’t be upheld.

Miss S didn’t agree with the investigator’s view so her complaint has been passed to me for review and 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’m very aware that I’ve summarised this complaint above in far less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Secondly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

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.

Next's decision to grant Miss S an account in November 2019

In deciding to grant Miss S an account in November 2019 Next was obliged to carry out proportionate checks. What constitutes proportionate checks varies depending on the type and amount of credit being applied for (and being provided), the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Given the checks that Next says it undertook and what it says these checks 'uncovered' or didn't uncover, the relatively small credit limit offered (which at 5% gives a monthly repayment required from Miss S of £7.50) I'm satisfied that Next undertook proportionate checks before agreeing to offer Miss S an account in November 2019.

Next's decision to increase Miss S' account credit limit in November 2020

As a lending relationship continues over time and the level of credit increases, as here, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the consumer.

Given the checks that Next says it undertook and what it says these checks 'uncovered' or didn't uncover, the relatively small credit limit increase offered (which at 5% gives a monthly repayment required from Miss S of £15.00) and how Next says Miss S was managing her account before November 2020 I'm satisfied that it undertook proportionate checks before agreeing to offer Miss S an account credit limit increase in November 2020.

In May 2022 I can see that Next took the decision to suspend any further account credit limit increases and I think this was the correct thing for it to do. And for the sake of completeness I would add that I'm satisfied that this decision doesn't, in itself, mean Next acted irresponsibly in November 2019 or November 2020.

I know that Miss S will be disappointed with my decision. But having considered everything that the parties have said and submitted I'm simply not persuaded, in the particular circumstances of this case, that Next did anything wrong.

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 S to accept or reject my decision before 6 December 2023.

Paul Hamber
Ombudsman