

The complaint

Mr E complains, via a third party, that Frasers Group Financial Services Limited trading as Studio Retail Limited (“Studio”) lent to him irresponsibly.

What happened

In 2002 Mr E applied for an account with Studio which was opened with an unknown credit limit.

In January 2016 Mr E’s credit limit stood at £1,950. In January 2017 this was decreased to £980 before being increased in February 2017 to £1,230, in May 2017 to £1,430, in June 2017 to £1,630 and in August 2017 to £1,830. In October 2020 Mr E closed his account with nothing further owing to Studio since January 2019.

Mr E says that Studio had lent to him irresponsibly.

Studio looked into Mr E’s complaint but rejected it.

As he was unhappy with Studio’s response, Mr E referred his complaint to us. One of our investigators looked into it. She came to the view that Studio did nothing wrong in providing Mr E with a credit limit that stood at £1,950 in January 2016, but the credit limit increases to £1,230 (from £980) in February 2017, to £1,430 in May 2017, to £1,630 in June 2017 and to £1,830 in August 2017 shouldn’t have been provided.

Mr E didn’t say whether he accepted the investigator’s view or not, but Studio said it didn’t. And because of the latter Mr E’s complaint was passed to me for review and decision.

On 30 November 2023 I issued a provisional decision on this case. In summary I said:
I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint, but I’ve reached a different conclusion from that of our investigator.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. I’ve used this approach to help me decide Mr E’s complaint.

Studio had a duty to conduct proportionate checks to ensure the level of borrowing it offered Mr E was affordable for him to repay in a sustainable way. It needed to do this when it first offered Mr E the account, and each time it agreed an increase in the credit limit.

Studio has provided evidence regarding the credit checks it completed on each occasion, and what information it found. Studio also considered the data it held internally, such as how Mr E was managing the account.

Mr E hasn't said whether he accepted the investigator's view that Studio did nothing wrong in providing him with a credit limit that stood at £1,950 in January 2016. But for the avoidance of doubt and for the sake of completeness I can confirm that, like the investigator, I've seen nothing that would lead me to conclude Studio did anything wrong in granting this credit limit. And because of my view in this respect it follows that I'm satisfied that Studio did nothing wrong in opening the account for Mr E in 2002.

The investigator came to the view that Studio shouldn't have granted Mr E the credit limit increase that it did in February 2017 (or any of the subsequent increases) on the grounds of his account conduct immediately prior to February 2017.

I'm satisfied that based on Mr E's account conduct prior to February 2017 Studio should have conducted further (and proportionate) checks before agreeing to any of the credit limit increases that it did.

To be clear, I don't think Studio necessarily should have obtained bank statements from Mr E, but in the absence of it having conducted further checks at the relevant times – such as asking him more about his income and expenditure – I've considered bank statements provided to our service by Mr E covering the period November 2016 to August 2017.

Having considered these statements I can confirm that I'm satisfied that further (and proportionate) checks by Studio wouldn't have caused it to conclude that the four limit increases granted wouldn't have been sustainably affordable for Mr E. In coming to this conclusion I've had regard to Mr E's account credits (including income and benefits), non-discretionary expenditure, his overdraft usage and account (or lack of account) charges.

I also think it's worth pointing out that despite these four credit limit increases:

- Mr E's account debt never exceeded £750, less than the credit limit of £980 in place in January 2017*
- between February 2017 and August 2017 Mr E reduced his account debt from approximately £750 to approximately £450*
- between September 2017 and January 2019 Mr E reduced his account debt from approximately £450 to £nil*
- credit limit increases totalling £850 (between January 2017 and August 2018) would only have necessitated an increase in what could be deemed a sustainable monthly repayment (from Mr E) of £40*

I appreciate Mr E will be disappointed. But given what I say above I can confirm that I'm satisfied that Studio didn't act unfairly or unreasonably in opening the account or in granting any of the credit limit increases that it did.

Studio responded to my provisional decision to acknowledge receipt but with no new evidence to add. Mr E didn't respond to my provisional decision by the date I gave.

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.

As I haven't any new evidence to consider from either Studio or Mr E, I see no reason to depart from my provisional findings and I now confirm them as final.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 17 January 2024.

Paul Hamber
Ombudsman