

The complaint

Ms A complains that Studio Retail Limited ('Studio Retail') irresponsibly gave her a credit account that she couldn't afford.

What happened

In June 2017, Ms A applied for a credit account with Studio Retail. Ms A was given a £100 credit limit. The credit limit was increased four times and the last increase was to £425 in July 2018.

In 2023, Ms A complained to Studio Retail to say that the account shouldn't have been opened for her because it wasn't affordable and that Studio Retail ought to have made a better effort to understand her financial circumstances before providing her with credit. Studio Retail disagreed and so Ms A brought her complaint to this service.

Our investigator did not think the complaint should be upheld. Ms A disagreed and so the case has passed to an ombudsman for review.

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've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Studio Retail 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.

Ms A's complaint is that Studio Retail made credit available that was unaffordable. Studio Retail has explained that they relied in part on information that Ms A provided at the time of application to assess affordability. They said they carried out credit searches in Ms A's name to assess Ms A's level of debt at the times of each lending decision and to understand how she had been managing that debt. With that information and using their own scoring metric, Studio Retail decided to agree to the account in 2017.

I have noted that whilst Ms A's credit history showed some adverse markings, there were no adverse markings in the six months prior to the application for credit. And the credit checks also showed that there were no adverse markers on any of Ms A's other open borrowings. So, it seems most likely that Studio Retail would have understood that Ms A was affording her existing credit at the time of the original lending decision. So, the lending looked to be affordable and reasonable at the time.

In saying that I have noted that the initial credit limit was very modest and the maximum monthly payments for that credit were also relatively modest. And I have been shown no submissions that undermine what Studio Retail told us they found at the time of the lending decisions. So, it seems to me that Studio Retail had insufficient reason to make more searching enquiries into Ms A's circumstances at the time of the original lending decision.

After the initial lending decision, Studio Retail had the evidence of how Ms A was managing her Studio Retail account to add to its other credit checks. I have seen no evidence of the account being anything but well managed throughout the time the credit limit was being increased.

And so, for the reasons given above, I don't think that the information that Studio Retail had at the time of each of the lending decisions, would have led them to feel they ought to make more searching enquiries into Ms A's financial situation. Further, Studio Retail were not put on notice of any reason not to agree any of the lending requests it agreed to from any of the above.

I have noted that Ms A did get into some financial difficulty on her account in 2019. But I have to look at the information that was available to Studio Retail at the time it made their lending decisions and not to use hindsight.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit Studio Retail provided to Ms A was unreasonable.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 1 November 2023.

Douglas Sayers
Ombudsman