

The complaint

Miss H complains that Marks & Spencer Financial Services Plc (“M&S”) irresponsibly gave her a credit card account she couldn’t afford.

What happened

In November 2018, Miss H applied for and was granted a credit card account with M&S with a credit limit of £5,500. There were no credit limit increases after that.

Miss H applied to make two large balance transfers when she took out the card.

Miss H complained to M&S, saying that she shouldn’t have been given the account and that M&S ought to have made a better effort to understand her financial circumstances.

Our investigator didn’t recommend the complaint be upheld. Since Miss H 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.

M&S 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.

Having looked at Miss H’s complaint, I have reached the same finding as our investigator. I don’t think M&S acted unfairly when approving her application for credit. I will explain why.

Miss H’s complaint is that M&S provided her with a level of credit that was unaffordable. M&S has explained it carried out a credit check using the information Miss H provided on her application as well as information obtained from a credit reference agency. It was then able to work out what credit it was able to offer.

Before granting the account, M&S looked into Miss H’s financial situation, including the way she was managing her existing credit. I’ve seen that Miss H told M&S she had a net monthly income from her work of around £1,600 and was paying a mortgage. M&S used a credit scoring system to work out her typical monthly outgoings in terms of housing costs and other regular financial commitments. From the credit check it carried out, M&S also saw that Miss H owed just under £6,000 in credit elsewhere. Miss H has said she had a county court judgment against her. This doesn’t appear to have shown up in M&S’s credit checks. It may be because it was historical and so unlikely to influence the lending decision.

I agree with our investigator that M&S could have carried out better checks before granting the credit, given the relatively generous opening credit limit. Whilst I’ve seen that M&S asked

Miss H to provide details about her income in her application, I think better and more proportionate checks would have looked into whether this was correct rather than simply within the normal range based on statistical information. It could also have looked into her overall financial situation rather than relying just on what she'd put in her application and what her credit report said.

Miss H responded to our investigator's finding by pointing out that her monthly outgoings were higher, citing that she was paying rent in addition to funding a mortgage – although she has told us that this arrangement was about to end as she was leaving the rental property. But I've also had to keep in mind that Miss H's main reason for taking out the card was to reduce her existing credit balance elsewhere and this was made known to M&S when she made her credit card application. She was doing this by way of taking up a promotional offer of 0% interest on balance transfer. In requesting balance transfers, Miss H was taking steps to improve her overall financial situation by reducing the cost of her debt. Of course, had M&S carried out better checks it's possible it may have seen that Miss H had a higher level of outgoings at that point. But based on what I've seen I can't say that it would necessarily have been likely to have changed its decision. And I don't think that giving Miss H the opportunity to reduce her overall level debt burden is something I can say was automatically unreasonable.

Having looked carefully at all the available evidence and information, I don't think I've seen enough to show or suggest that Miss H's card agreement with M&S was unaffordable. So I can't reasonably conclude that M&S ought to have known she might struggle to make the repayments. I'm therefore not persuaded that M&S acted unfairly in approving Miss H for the card with the limit it gave her. It follows that I don't think it needs to do anything more to put things right.

I know that Miss H will be disappointed with my decision. But I would like Miss H to know that I have carefully considered everything she has told us. Having done so, however, I have not found sufficient evidence to be able to uphold this complain.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 November 2023.

Michael Goldberg
Ombudsman