

The complaint

Miss V has complained that Studio Retail Limited (“Studio”) irresponsibly lent to her when it provided her with a shopping account.

What happened

Miss V applied for a shopping account in December 2020. She was initially provided with a £125 credit facility.

In February 2021 Miss V’s credit limit was increased to £200 and then in May 2021 it was increased to £300.

Miss V says that Studio didn’t do full checks before it lent to her. She says if it had, it would have known she couldn’t afford the credit.

Miss V complained to Studio, but it didn’t uphold her complaint, so Miss V brought her complaint to this service.

Our investigator didn’t think Miss V’s complaint should be upheld. Miss V didn’t agree with this outcome. She explained that her financial position was much worse than Studio’s records suggested.

As Miss V didn’t agree with our investigator’s view, so her 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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I’ve taken that into account when considering Miss V’s complaint.

Studio needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss V could afford to repay what she was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Miss V’s income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. There is no prescriptive list of checks a business must do.

Studio provided evidence of the results of the checks it made when it first agreed Miss V’s account and when it agreed each increase. Based on these, our investigator concluded that

Studio didn't act unreasonably in providing Miss V with the account and credit limit increases. Our investigator noted that the credit checks didn't show anything adverse and, in the case of the credit limit increases, her account history didn't show anything that ought to have prompted Studio to ask more questions. Our investigator noted that Miss V had no recent defaults or delinquencies in the preceding 12 months and that Miss V didn't have any County Court Judgements (CCJs).

When our investigator provided their view Miss V disagreed with it. She said that it was factually incorrect to say that she had no CCJs because she actually had three.

Miss V was invited to provide more information to support her case but did not do so.

When I came to review Miss V's complaint I noted that, contrary to our investigator's view, there was some evidence of account delinquency at the time of the account opening. I think that should have been enough to alert Studio to the potential Miss V may not have been able to manage any further credit. I think at this stage Studio ought to have done more to find out how Miss V was managing her finances.

I don't know what checks Studio might have chosen to do but I considered that Miss V's bank statements and credit report from the period shortly before and during the life of the account may have provided a reasonable picture of her financial circumstances at the time.

I asked Miss V to supply copies of her bank statements and a copy of her credit file, which Miss V had already said she had available.

Miss V declined to provide this information. She submitted that it was rude of this service to ask and as she did not legally have to do so, this service should believe her when she said she is in financial difficulty.

I do not doubt Miss V's testimony that she is in current financial difficulties. But without evidence to allow me to understand what Studio ought to have seen had it completed further checks, I can't fairly say that it should have acted differently and not provided Miss V with the credit.

So, while I am not satisfied that Studio conducted necessary and proportionate checks before it lent to Miss V, I do not know what it would have seen if it *had* completed necessary and proportionate checks. So, I cannot uphold Miss V's complaint.

My final decision

I do not uphold Miss V's complaint, so it follows that Studio Retail Limited doesn't have to do anything further.

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

Sally Allbeury
Ombudsman