

## **The complaint**

Miss M complains that Studio Retail Limited, trading as Studio (“Studio”), irresponsibly gave her a running account credit facility that she couldn’t afford.

## **What happened**

In May 2016 Studio granted Miss M a catalogue account credit facility. Studio went on to grant at least two further credit limit increases.

In this decision I am only considering the credit limit increase that was granted after February 2017 – that is, in March 2017, when the credit limit was increased from £625 to £775. That’s because our investigator previously made a jurisdiction finding that part of the complaint, about the account opening and initial credit limit increase, had been made too late.

I’ve seen that the account went into default in March 2023.

In February 2023 Miss M complained to Studio to say that it should not have granted her the account and credit limit increases as she was in financial difficulty before the account was opened and that adequate affordability checks weren’t carried out, either at that point or when the credit limits were increased.

Our investigator didn’t think Studio had acted unfairly in the way it managed the account. Because Miss M disagrees, the complaint has been passed to me for a 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.

Studio 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.

Before providing credit and increased credit limits to Miss M, Studio says it carried out a credit check using a credit agency to decide on the amount of credit it was able to offer. It also told us that Miss M’s account was then assessed on a regular basis from the credit check information. Similarly, the credit limits were then set using the same type of updated information plus regular observation of Miss M’s management of the account.

It’s possible that Studio’s checks weren’t sufficient. I can’t know for sure since Studio no longer has the full credit check details it used at the time of the increase. But even if the checks weren’t as good as they should have been, I don’t think better enquiries

would have caused Studio to think the initial credit limit or the subsequent credit increase were unaffordable. I'll explain why.

Miss M provided us with her credit report to help us understand her financial situation at the time. I've reviewed this but given what I've seen I'm unable to say that Studio acted unfairly or that the account wasn't affordable at the time of the March 2017 credit limit increase. I've seen that Miss M already had some other credit borrowing in place but seemed to be managing to meet those repayment commitments. I'm unable to say that I've seen enough to show or suggest that Miss M's financial circumstances were deteriorating, or at risk of deterioration, at the time. There was no adverse information shown against existing or earlier credit commitments, such as evidence of late payments or arrears that had led to adverse markings being added to her credit file.

I also say this given that her management the account up to this point had generally been good. At the time of the credit limit increase Miss M owed only £20-30 and had had no missed or late payments previously. So I agree with our adjudicator that Miss M appears to have been able to meet the repayments required before this increase and was able to pay more than the minimum required each month. So there was little to suggest she was getting into difficulty.

So, based on the evidence and information I've seen, I have to conclude that at this point Miss M was managing her financial situation reasonably well.

Overall, I haven't seen enough to persuade me that in March 2017 Studio would or should have seen that Miss M's financial circumstances were in such a way such that lending her additional amounts by way of increasing the credit facility available to her was unreasonable. And having seen that the monthly payments Miss M was making against her outstanding balance each month meant that it was likely to be paid off in a sustainable timeframe, I don't think a more thorough affordability assessment at this time would have put Studio off increasing the credit limit.

So, although I can't say that all of Studio's actions were necessarily appropriate, I don't make any award as I don't think Miss M was caused any loss or material distress or inconvenience as a result.

I realise that this won't be the outcome Miss M was hoping for and I regret that I'm unable to help her on this occasion. But I do ask that Studio continues to exercise all reasonable forbearance with her with regards to the current outstanding sum and takes all necessary and appropriate steps to explore available options to help her to reduce it in a sustainable and manageable way.

### **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 M to accept or reject my decision before 15 December 2023.

Michael Goldberg  
**Ombudsman**