

The complaint

Ms B has complained that Studio Retail Limited (“Studio”) acted irresponsibly when it increased the credit limit on her catalogue shopping account in January 2017.

Ms B has brought her complaint to us via a claims management company (“CMC”).

Background

Ms B had a catalogue shopping account with Studio which was originally taken out in 2012. In January 2017 Studio increased the limit on Ms B’s account from £1,740 to £1,950. She has said that at the time of the increase she was already struggling to maintain the account and meet her monthly payments. She believes the limit increase was inappropriate and that Studio failed to run sufficient checks to ensure she could afford the new limit and linked interest charges.

Studio has said that the credit limit increase was automatic, and that Ms B could’ve declined it or opted out of automatic increases if she had concerns about her ability to maintain the account. It has also said that up to the point the limit increase happened Ms B had been properly maintaining her account. While it accepts the account eventually fell into arrears this didn’t happen until a year after the limit increase in 2017. So, it doesn’t think it did anything wrong in increasing the limit.

I issued a provisional decision on 24 October 2023. In it I said I’d not seen enough evidence to show that the credit limit increase was unaffordable. I asked Ms B, via her CMC representative, to provide more evidence for me to consider. I gave both parties until 21 November 2023 to respond.

Neither Studio nor Ms B’s CMC responded to my provisional decision. As I’ve not received any additional information to consider my overall findings remain the same. For the sake of clarity, I will repeat those findings here.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Ms B has said that at the time the limit on her account was increased she was already struggling financially. So she doesn’t think Studio ought to have increased the amount of credit available to her as she’s said the lending was unaffordable.

Generally speaking, when consumers allege that credit they received was unaffordable we ask them to provide supporting evidence such as bank statements or their credit files as this evidence helps us understand their financial situation at the time they applied for or were given the credit. It is also evidence that the business is likely to have requested at the time it decided to provide the credit to the consumer.

We asked the CMC representing Ms B for this information, but it didn't reply to that request. So, we asked Ms B directly for the information, but unfortunately she didn't respond to that request either. So, I've not had any sight of Ms B's financial situation at the time she was given the credit increase in January 2017. Which means the only evidence I've been able to review are the account statements showing how she was managing her Studio account in the year prior to the credit increase.

Having reviewed these I can see that in the 12 months before she was given the credit increase Ms B only missed one payment. And this was quickly amended and the account brought back into good order within a few weeks. I don't think a single missed payment in the 12 months prior to the credit limit increase is sufficient to show Ms B was struggling to manage the account or the credit wasn't affordable to her.

Our investigator noted that Ms B was almost at her full credit limit the month prior to the increase. He felt this was indicative of someone who wasn't managing the account well. I agree this can be a sign that someone is potentially over reliant on credit. However, looking at the statements I can see prior to December 2016, when the account was almost at the limit, it was often kept well under the limit. Given December is often an expensive month for a lot of consumers I don't think the fact that Ms B had used her account more heavily in the lead up to the Christmas period was indicative of someone who wasn't able to manage their account or couldn't afford it. And I've not been able to review anything else that may have shown Ms B was struggling at the time.

Therefore, having reviewed everything that was made available to me, I don't think there's sufficient evidence to show the credit limit increase was inappropriate or unaffordable. So, I'm not upholding Ms B's complaint.

My final decision

For the reasons set out above I don't uphold Ms B's complaint against Studio Retail Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 22 December 2023.

Karen Hanlon
Ombudsman