

The complaint

Mrs B complains that Next Retail Limited irresponsibly provided her with a credit account, and credit limit increases (CLIs), that she couldn't afford.

What happened

In November 2021, Mrs B obtained a credit account with Next. The credit limit was set at £600, and this was increased to £750 in October 2022, £1,500 in March 2023 and £3,000 in July 2023. Next decreased the limit to £300 in September 2023.

In October 2023, Mrs B complained to Next that it had lent to her irresponsibly, causing her financial difficulty.

Next didn't uphold the complaint. It said it had carried out appropriate checks which showed Mrs B could afford the credit it had provided her with.

Unhappy with Next's response, Mrs B complained to this service. Our investigator didn't recommend that Mrs B's complaint should be upheld. They believed, in essence, that Next should have carried out more checks regarding the initial lending decision and CLIs. But that, ultimately, none of the lending decisions it had made were unfair.

Mrs B didn't agree with the investigator's findings. She didn't understand how the investigator could agree with her that Next hadn't carried out sufficient checks while also concluding that the lending was affordable for her. As such, the complaint was passed to me to review afresh.

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.

Having done so, I don't uphold this complaint. I'll explain why.

Next was required to complete proportionate affordability checks prior to advancing credit to Mrs B. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, Next needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Mrs B's circumstances.

I can see that Next did obtain some information about Mrs B's financial circumstances at the start of the account in 2021 and regarding the later CLIs. For example, the checks carried out by the credit reference agencies (CRAs) Next instructed in 2021 showed some adverse information in terms of multiple defaults. The most recent of which was seven months before the credit application. At no stage can I see that Next even enquired as to Mrs B's income levels, let alone took steps to verify what her income might be.

Given the information Next held, I don't think it completed proportionate checks to assess the affordability of the credit for Mrs B. I think it would have been reasonable for Next to investigate Mrs B's financial situation further in the circumstances to satisfy itself that she could sustainably repay the credit it was providing to her.

But not undertaking sufficient checks, in itself, doesn't mean that Next should compensate Mrs B for the lending. For that to happen I'd also need to be satisfied that the lending was likely to be unaffordable for Mrs B given her circumstances between 2021 and 2023.

To help me decide on balance what those circumstances were – and whether the lending was in fact unaffordable for Mrs B – I've reviewed her bank statements in the months prior to Next's lending decisions. They suggest to me that Mrs B had a steady average income of between around £1,400 and £1,800 per month during that period. Her average expenditure left her with a disposable income of not less than around £600 a month in that time – and sometimes significantly more. This indicates to me that Mrs B had the available disposable income to be able to sustainably afford the credit Next was offering.

Next has provided a summary of Mrs B's credit account. It seems she was managing the account relatively well and with little difficulty. For instance, she was generally paying more than the minimum required amount every month. And the account was never in arrears up to the point of the last CLI.

I've thought carefully about everything Mrs B's told us, including that she was left with no money after her outgoings every month. But, as I've explained, I can't see any evidence to support that from the statements she'd provided. I also recognise that there were signs Mrs B had been in financial difficulty prior to Next's lending, as she says. Although the indications were that she was nevertheless broadly in control of her finances again by November 2021.

Taking all of this into account, I don't think it was unfair for Next to have lent to Mrs B as it did between 2021 and 2023.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 17 May 2024.

Nimish Patel
Ombudsman