

The complaint

Mr T complains that Shop Direct Finance Company Limited trading as very ('Shop Direct') irresponsibly gave him a running account credit facility that he couldn't afford.

What happened

On 5 March 2014, Mr T applied for a credit account with Shop Direct. He was given an initial credit limit of £750. The credit limit was not increased during the life of the account. Shop Direct told us that in 2015 the account had arrears and a default and was sold to an external debt collection agency on 8 August 2015.

In 2020, Mr T complained to Shop Direct to say that the account shouldn't have been opened for him because it wasn't affordable.

Our adjudicator didn't recommend the complaint be upheld. Mr T didn't agree. So, 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.

Shop Direct 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.

Our adjudicator's assessment provided a detailed account of all the increases and suspensions of credit, and they are summarised above. Neither party has called the specifics into question, so, I don't intend to cover them off here.

Mr T's complaint is that Shop Direct made credit available that was unaffordable. Shop Direct has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer. It's possible that Shop Direct failed to make adequate checks before providing Mr T with credit. But even if that's true, I don't think better enquiries would have caused Shop Direct to think the initial credit limit was unaffordable.

I say this because the credit was provided when there was no recent adverse information on Mr T's credit file. There is some evidence that Mr T was borrowing heavily from pay day loan providers at the end of 2012, and that some of those led to defaults. But the credit report suggests that Mr T's finances after that period and in the more than 12 months until the time in question, were more under control. And the credit report from that time suggests that in March 2014, Mr T had no CCJ's against him, that there were no other accounts opened in the 12 months prior and there was no evidence of any credit searches in the year before. And the initial credit limit was reasonably modest, the maximum monthly payments for that credit would have been relatively modest and Mr T's statements show that his income was not modest.

Mr T has given us copies of his bank statements from around the time of the application which suggested he was still borrowing from payday lenders. However, Shop Direct's checks didn't show these and it would be unfair to say they ought to have known about them. Further, they weren't required, nor would it have been proportionate for them, to have reviewed his payslips before lending to him.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that a more thorough affordability check would have led Shop Direct to think that the credit limit it provided Mr T was unreasonable.

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 Mr T to accept or reject my decision before 26 April 2022.

Douglas Sayers
Ombudsman