

The complaint

Miss P complains that Shop Direct Finance Company Limited ('Shop Direct') irresponsibly gave her a running account credit facility that she couldn't afford.

What happened

On 2 October 2018, Miss P applied for a credit account with Shop Direct trading as very. She was given an initial credit limit of £600. The credit limit was increased twice until it reached £1300 in April 2019. Subsequently, the credit limit was reduced in November 2019 to £1200 and in July 2019 to £900.

In October 2019 Miss P informed Shop Direct that she was in financial difficulties.

Miss P complained to Shop Direct in October 2020 to say that the account shouldn't have been opened for her because it wasn't affordable and that Shop Direct ought to have made a better effort to understand her financial circumstances.

Our adjudicator didn't recommend the complaint be upheld. Miss P 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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.

Miss P'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, and considered the credit file and Miss P's management of the account with regard to credit limit increases. It's possible that Shop Direct failed to make adequate checks before providing Miss P 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 and the subsequent credit limit increases were unaffordable.

I say this because the initial credit limit was modest and the maximum monthly payments would have been relatively modest. And whilst Miss P's income was from benefits, it was regular income and not of a modest order. The bank statements that Miss P has provided show that the amounts coming into and out of the account were not modest, and that, in general, I've noted that the account remained in a positive balance. And where it wasn't a positive balance, the negative balance was small. And whilst I've considered the CCJ that Miss P mentioned to us, I note that both Miss P and Shop Direct think this was some time before the application she made in 2018. The CCJ doesn't, in itself, make the lending of further credit automatically unreasonable.

I've also noted that the account itself was well managed largely throughout the credit increases. I have not seen evidence of missed payments and the payments were not all for the minimum amount.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Miss P to the contrary, I have seen insufficient evidence to think that a more thorough affordability check would have led Shop Direct to think that the credit it provided Miss P was unreasonable. Further, I'm not persuaded that the way Miss P was managing her account or what Shop Direct could see of her management of other credit ought to have prompted it to have acted differently than it did.

I know that Miss P will be disappointed with my decision. But I want Miss P to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

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 P to accept or reject my decision before 20 June 2022.

Douglas Sayers
Ombudsman