

The complaint

Mr B, who is represented by a third party, says Shop Direct Finance Company Limited ("Shop Direct") irresponsibly lent to him.

What happened

Mr B opened two shopping accounts with Shop Direct, both opened in November 2014. The first account – Account A – was with Very with opening credit limit of £750. This account then benefitted from four increases to its credit limit, increasing from £1250 in November 2016 up to £3750 in October 2018.

The second account – Account B – was with Littlewoods had an opening credit limit of £600 but no further credit limit increases after that. The account limit was reduced to £500 in June 2015.

Both accounts fell into arrears from around September 2019. A default notice was issued for each account in February 2020. Account A was then passed to a third party March 2020 followed by Account B in May 2020.

Mr B says that Shop Direct shouldn't have lent to him and that the credit became unsustainable for him as he couldn't keep up with the payments.

Shop Direct says it did all the necessary checks before it lent to Mr B – and each time when it increased his credit limit.

In my provisional decision dated 15 June 2022 I explained why I was intending to uphold any part of this complaint. I set out an extract below:

"Shop Direct says it acted as a responsible lender when opening Mr B's account and increasing his credit limits. Our adjudicator has set out in some detail why she thought Shop Direct lent to him irresponsibly.

In making my decision I've looked at the overall pattern of Shop Direct's lending history with Mr B, so as to see if there was a point when it should reasonably have seen that further lending was likely unsustainable, or otherwise harmful. If so, that would mean Shop Direct should have realised that it shouldn't have further increased Mr B's credit limits.

Having reviewed the complaint myself, including the account history, I've reached a different outcome to that of our adjudicator. I don't currently consider that Mr B lost out due to Shop Direct's actions in relation to his account. I will explain why.

When Mr B opened these two accounts in November 2014, Shop Direct has told us there were no signs of financial difficulties based on the checks it did. Having reviewed the available information, including the credit file Mr B has given us, I don't think there is anything to suggest that it would have been unreasonable for Shop Direct not have to have approved these accounts. Shop Direct didn't ask about Mr B's income, and this may have

helped it begin to build a picture of Mr B's financial circumstances. But even if it had, at this stage, I don't think it would have made a difference to its decision to extend the credit.

Looking at the series of credit limit increases Shop Direct gave Mr B on Account A, I agree that it would have been helpful for Shop Direct to have found out more about Mr B's financial situation on each occasion so that it could verify his income and committed expenditure. But I don't think the information we have about Mr B's financial situation at the time is enough for me to be able to find that had Shop Direct carried out additional proportionate checks, it would have found these credit limit increases to be unsustainable.

Our adjudicator explained why she thought Shop Direct shouldn't have provided Mr B with any further increases in credit from April 2018 onwards. Shop Direct didn't agree. In particular it said that Mr B had got into difficulties due to a substantial increase in a loan he had taken out subsequently, in April 2019. The loan had the effect of increasing his monthly repayments from £230 to £641. It also said that Mr B had been managing his accounts well – to the extent that he sometimes made overpayments - and had never got into arrears for Account A. Also, the credit checks it ran showed that Mr B's debt commitments elsewhere appeared to be manageable and his income had also increased significantly. Our adjudicator suggested that although Mr B was making payments on time and his account seemed well managed, Shop Direct ought to have been concerned about his rising balance.

Whilst I can see that Mr B's balance on account A had doubled between September 2017 and April 2018, I currently don't consider that this alone is enough for me to find that Mr B was struggling with his account and that there was a real risk that he was going to have difficulty in reducing his balance. I've also noticed that Mr B missed a payment on Account B in April 2014 and incurred three administration charges at around this time, but I wouldn't necessarily have expected this to be something that suggested his credit limit ought not to have been increased four years later.

Our adjudicator had at first thought that Mr B's complaint ought to be upheld from June 2019. This was because Mr B had made less than minimum payments on three occasions by June 2019 and was using more than 70% of his credit limit. Other than that, it seems that Mr B made payments consistently and on some occasions above the minimum payment required. I've so far seen no other evidence or information to show or suggest that he was getting into financial difficulty at around this time.

Overall, I currently don't think the information we have about Mr B's financial situation at the time is enough for me to be able to find that, had Shop Direct carried out additional proportionate checks, it likely would have found these credit limit increases to be unsustainable. I say this having carefully reviewed all the information Mr B has sent us about his financial situation.

It follows that, in the specific circumstances of this complaint, I currently don't think Shop Direct's actions, first in opening the accounts A and B and then in increasing the credit limits on Account A up to October 2018, would have caused Mr B to lose out. I also don't consider Mr B's account history necessarily suggested his financial situation was worsening. And I'm not persuaded that further enquiries into Mr B's circumstances would have led Shop Direct to conclude that it should have taken a course of action that was significantly different to what it did.

The third party representing Mr B acknowledged receiving my provisional decision and said it was being forwarded to Mr B and they would get back to us as soon as possible. But they haven't come back to us by the date set for providing a response.

Shop Direct also confirmed receiving my provisional decision and had nothing further to add.

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. We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Given that neither party has provided me with any further evidence or information to consider, I see no reason to change my finding that Shop Direct did not act unfairly. So I won't be making any award as I don't think Mr B was caused any loss as a result of Shop Direct's actions.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 August 2022.

Michael Goldberg

Ombudsman