

The complaint

Miss C complains that Shop Direct Finance Company Limited ("Shop Direct"), provided her with a catalogue shopping account that she could not afford, and continued to increase her credit limit when it shouldn't have.

What happened

In January 2013 Shop Direct approved a catalogue shopping account with an initial limit of £600 for Miss C. It then increased that limit seven times until it reached £3,000 in July 2016. However, she never used the available credit, her highest balance being just under £1,300 in Spring 2015.

By December 2017 Miss C had clearly run into difficulties maintaining repayments, and so her credit limit was reduced to £300 in February 2018, with the outstanding debt being ultimately sold to a third party later that year. I've included a table showing the limit increases for ease of understanding:

Event	Date	New limit
Account opened	January 2013	£600
1 st limit increase	November 2013	£850
2 nd limit increase	March 2015	£1,150
3 rd limit increase	May 2015	£1,400
4 th limit increase	August 2015	£1,700
5 th limit increase	November 2015	£2,000
6 th limit increase	March 2016	£2,500
7 th limit increase	July 2016	£3,000
Credit limit decrease	February 2018	£300

After Shop Direct rejected her complaint, Miss C brought the case to our service. One of our adjudicators looked at the evidence and thought that Shop Direct hadn't done anything significantly wrong. Miss C doesn't accept that, and asked that the case be passed to an Ombudsman for review.

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'm not upholding this complaint and I'll explain why.

Shop Direct was required to carry out sufficient checks to ensure that Miss C would be able to repay the borrowing it was making available to her in a sustainable way. The rules in place don't require any particular or named evidence to be gathered. Simply that the checks be proportionate.

Shop Direct used a combination of high level credit checks and information about how Miss C had been managing her account with it in order to decide whether the credit limit increases

were affordable. The adjudicator thought that Shop Direct should also have asked Miss C about her income and expenditure, and that by November 2015 it should have been completing a full review of her financial circumstances.

I agree with that, particularly noting the beginning of concerns about Miss C's financial management in the autumn of 2015 when one of the credit checks suggested that some accounts were heading for early arrears. So from that point, more in-depth checks were clearly warranted.

I therefore need to go on to consider what Shop Direct would have found had it done further checks, and whether more evidence ought to have led it to conclude that the borrowing was not affordable for Miss C. To help me with that question, I've had the benefit of seeing some of Miss C's bank statements. Shop Direct could have decided to gather different evidence, but in the absence of anything else, I feel it is right for me to place weight on what the bank statements show.

In short, they raise no concerns which ought to have let Shop Direct know that Miss C could not afford the credit increases. Her account shows regular income, no overdraft, or any concerns such as gambling. She appears able to manage her money well.

Miss C says it is clear from her statements that she wasn't earning any money, which is true. However, she received regular income from various individuals, including her partner. So she had money available to her. There were no significant household bills coming out of the account, and she has confirmed to us that housing costs and utilities were covered by other people. So her expenditure wasn't substantial.

Of course I accept that ultimately Miss C *wasn't* able to manage the repayment on this account. But that doesn't necessarily mean that Shop Direct could have, or ought to have been able to, predict that from the available evidence. Based on what I've seen, I don't think more in-depth checks ought to have led Shop Direct to conclude that this borrowing wasn't affordable.

It therefore follows that I don't uphold this complaint.

My final decision

For the reasons I've explained, I don't uphold this complaint and Shop Direct doesn't need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 9 November 2022.

Siobhan McBride

Ombudsman