

The complaint

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

What happened

In August 2017, Miss R applied for a catalogue shopping accounts through Shop Direct. She was given an initial credit limit of £600. The credit limit was decreased to £150 in October 2017, then raised to £650 in February 2018. The credit limit was raised twice more, to £1,150 in September 2018 and to £1,650 on 6 July 2019. Miss R appears not to have been in the habit of spending up close to the credit limit.

In 2022, Miss R complained to Shop Direct to say that the account shouldn't have been opened for her because it wasn't affordable.

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

Miss R's complaint is that Shop Direct irresponsibly gave her a running account credit facility that she couldn't afford.

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 at every lending decision. Shop Direct told us that Miss R's account was assessed on a monthly basis from the credit check information and the credit limit was set using that information and their observation of Miss R's management of the account.

Were Shop Directs credit checks sufficient?

I think that they may have been, largely. But even if they hadn't been, I don't think better enquiries would have caused Shop Direct to think the initial credit limit or the subsequent credit increases were unaffordable.

I say this because the credit was provided when there was no recent adverse information on Miss R's credit file. The initial credit limit was reasonably modest and the repayments for the credit would also have been modest. And Miss R's statements show that her income was regular and not modest.

Miss R managed her account such that she was not using anywhere close to the credit limit that Shop Direct had been offering her. And Miss R's credit history prior to the credit increases was largely clean. In saying that I have noted that whilst Miss R's credit file shows that there were historic defaults in Miss R's past (October 2016), those were not sufficient, in my mind, to have put off Shop Direct from providing more credit to Miss R.

So, I have seen insufficient evidence to think that more thorough affordability checks would have led Shop Direct to think that it should not have provided the credit it did to Miss R.

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 R to accept or reject my decision before 11 January 2023.

Douglas Sayers
Ombudsman