

## **The complaint**

Mr O complains Shop Direct Finance Company Limited trading as Littlewoods lent to him irresponsibly. He's also unhappy they reduced his credit limit after raising his complaint.

## **What happened**

Mr O had two accounts with Shop Direct. One was opened in August 2002 and remains open, and the other was opened in April 2004 and closed in February 2012.

In December 2022, Mr O complained to Shop Direct that they had lent to him irresponsibly. He said they ought to have known the credit limit increases were unaffordable due to the way he managed his accounts with them, and other credit accounts. Shop Direct investigated Mr O's concerns and issued their final response in early January 2023. Shop Direct explained they were satisfied they'd carried out proportionate checks before opening approving Mr O's applications or increasing his credit limits. Regarding Mr O's account that's still open, Shop Direct explained they'd noted what he'd said about the lending being unaffordable and that they might review his credit limit accordingly.

Following their investigation into Mr O's complaint, Shop Direct reduced his credit limit from £4,000 to £150. Shop Direct issued a final response regarding this second complaint point in mid-January 2023. They explained Mr O's credit limit was reduced following their consideration of the reasons Mr O gave when explaining he felt he'd been lent to irresponsibly. And after reviewing his historic use of the account alongside the fact his current balance was under £100, they acted fairly and reasonably by reducing his limit to £150.

Mr O raised another complaint as he realised a recent order had taken him over his reduced credit limit and didn't think Shop Direct had done enough to communicate the change to him. Shop Direct explained his order wasn't flagged because it was raised around a week before his credit limit was due to reduce on their systems. So, to put things right, Shop Direct increased Mr O's credit limit to £175 so that his credit file wouldn't be negatively impacted. They also credited his account with £30 as a gesture of goodwill. Mr O remained unhappy, so he brought his complaint to our service.

Our Investigator explained we didn't have the power to investigate lending decisions that took place before 6 April 2007. However, for the lending decisions after that date she was satisfied Shop Direct had carried out proportionate checks before increasing Mr O's credit limit. Regarding the issues surrounding the reduction of Mr O's credit limit in January 2023, she felt Shop Direct had done enough to put things right following their mistake.

Mr O disagreed with our Investigator, so his complaint was passed to me for a final decision.

## **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 reviewed everything, I'm not upholding Mr O's complaint. I'll explain my reasoning below.

Our service cannot investigate lending decisions made before 6 April 2007, so my decision will only comment on those made after that date.

#### Account ending 4299

The evidence we've been provided shows that from April 2007, Shop Direct was reducing Mr O's credit limit until it reached £0 in August 2007. And the first increase after this date was in September 2007, and it was increased to £150.

Shop Direct hasn't been able to show us what checks were carried out before Mr O's credit limit was increased in September 2007. But I don't think that's unusual given the time that's passed. However, considering this was a modest credit limit and placing weight on what Mr O's told us about his approximate earnings at that time, I can't fairly say the £150 credit limit was foreseeably unaffordable or unsustainable for his circumstances.

Mr O's credit limit was increased again in April 2008, and this time to £500. I've seen information from the credit checks that were carried out at the time and having reviewed them I've not seen anything that ought to have made Shop Direct ask further questions. That's because the evidence shows Mr O's other credit accounts were within their limits, he hadn't had an account default in just over two years and had only opened one new credit account in the six months prior. This suggests Mr O was managing his accounts well, and it doesn't look like he was overly reliant on credit. So, I also don't think he was treated unfairly when he was given this credit limit.

In June 2008, Mr O's credit limit was increased to £900, and I've seen the credit check information from time. This showed that not only were his credit accounts within their limits, but also that his credit utilisation had had reduced. So, it looked like Mr O's overall financial circumstances were improving. There were occasions of arrears prior to this increase, but they were of under £1. So, I don't think that is reason enough to conclude the £900 credit limit wasn't affordable for Mr O.

There were several other credit limit increases after June 2008. However, I can't see that Mr O ever used the credit facility beyond the £900 credit limit. Therefore, even if the subsequent credit limits weren't affordable, Mr O hasn't suffered any detriment because he didn't use them.

Given the above, I'm not persuaded Shop Direct treated Mr O unfairly with their lending decisions on this account. So, I'm not upholding this part of his complaint.

#### Account ending 0487

For this account, the first credit limit increase I could consider was that of £2,000 in May 2007. Again, Shop Direct hasn't been able to show what checks were carried out. However, despite this being a relatively large credit limit, I can fairly say this part of Mr O's complaint should be upheld.

The evidence I've seen shows Mr O's balance on this account never exceeded around £300. And with what we've been told about Mr O's circumstances from that time, I'm not persuaded offering him borrowing of around £300 was unsustainable or unaffordable.

As Mr O didn't use more of the £2,000 credit limit, I again can't fairly say this part of his complaint should be upheld as I can't see that he's suffered any detriment.

### The reduction of Mr O's credit limit

Business' like Shop Direct are obligated to ensure any borrowing they offer is affordable and sustainable. So, it's not unusual for them to carry out regular reviews on an account to ensure it's still suitable for their customer's circumstances. And that's what Shop Direct did following the complaint raised by Mr O in December 2022.

When Mr O raised his complaint with Shop Direct he said he only made minimum payments, and still does. He also explained that the credit limit increases made his situation worse. Shop Direct says they considered what Mr O told them when they reviewed his credit limit, and that is why they reduced it.

I would have expected Shop Direct to take the concerns raised by Mr O seriously, and their decision to reduce his credit limit suggests they did. So, I don't agree Shop Direct acted unreasonably by taking Mr O's circumstances into consideration when they reviewed his credit limit. Ultimately, it is for them decide to what credit limit they're prepared to offer.

I've reviewed the information provided by both parties and having done so I can't see that Shop Direct clearly communicated that they would be reducing Mr O's credit limit – or when that would happen. So, while I don't think they treated him unfairly by reducing his credit limit, I do think the level of service fell short when it came to communicating their decision with him. And had they told Mr O his credit limit would be reducing to £150, I'm persuaded he wouldn't have placed an order that would take him over his limit. So, Shop Direct's mistake caused Mr O foreseeable distress and inconvenience. So, it's only fair they took steps to put things right.

Once Shop Direct were made aware of their mistake, they agreed to increase his credit limit to £175 and report the same to credit reference agencies so that Mr O wouldn't be negatively impacted. They also credited Mr O's account with £30 in recognition of the impact this had on him.

Shop Direct took steps to put things right within a few weeks. So, I'm satisfied their offer is in line with what I would have suggested had they not already tried to resolve Mr O's complaint. It's for this reason I won't be asking Shop Direct to do anything further.

I know this isn't the outcome Mr O hoped for. But for the reasons above, I'm not upholding his complaint.

### **My final decision**

My final decision is that I'm not upholding Mr O's complaint about Shop Direct Finance Company Limited trading as Littlewoods.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 22 February 2024.

Sarrah Turay  
**Ombudsman**