

## The complaint

Miss F complains that Shop Direct Finance Company Limited (“Shop Direct”), provided her with two catalogue shopping accounts that she could not afford, and continued to increase her credit limit when it shouldn’t have.

## What happened

In November 2019 Shop Direct approved a ‘very’ catalogue shopping account with an initial limit of £750 for Miss F. It then increased that limit six times until it reached £3,900 in February 2023.

In January 2020 Shop Direct approved a ‘Littlewoods’ catalogue shopping account with an initial limit of £500 for Miss F. That limit never increased and the account was closed in 2022.

I’ve included a table showing the limit increases on the ‘very’ account for ease of understanding:

Event	Date	New limit
Account opened	November 2019	£750
1 <sup>st</sup> limit increase	October 2020	£1,400
2 <sup>nd</sup> limit increase	May 2021	£1,900
3 <sup>rd</sup> limit increase	November 2021	£2,400
4 <sup>th</sup> limit increase	May 2022	£2,900
5 <sup>th</sup> limit increase	February 2023	£3,900

After Shop Direct rejected her complaint, Miss F brought the case to our service. One of our investigators looked at the evidence and thought that Shop Direct hadn’t done anything significantly wrong. Miss F doesn’t accept that, although she hasn’t said why, 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 F 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 variously used a combination of information provided by Miss F; high-level credit checks; and records of how she had been managing her account with it in order to decide whether to open these accounts, and then whether to increase the credit limit on the ‘very’ account. The investigator thought that Shop Direct’s checks were good enough.

I agree with that in respect of the account openings, and the first credit limit increase (CLI), given that there were no concerns about how Miss F was managing this credit. But given Miss F's modest declared income, I think that by the time of the second credit limit increase, more in-depth checks were clearly warranted. I say that because by that point Miss F already had accounts with Shop Direct allowing her to spend up to £1,900. So extending that by a further £500 raised possible affordability concerns for someone with Miss F's income, given the other debt she was carrying.

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 F. To help me with that question, I've had the benefit of seeing some of Miss F's bank statements from the times of the later CLIs. 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 led Shop Direct to conclude that Miss F could not afford the CLIs. Her account shows regular income from various sources, a modest overdraft (which she only used for part of each month), and no concerns such as gambling. She appears able to manage her money well.

So 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 F to accept or reject my decision before 24 May 2024.

Siobhan McBride  
**Ombudsman**