

The complaint

Miss R complains that Shop Direct Finance Company Limited ('Shop Direct') irresponsibly gave her two credit accounts that she couldn't afford.

What happened

On 25 July 2013, Miss R applied for a credit account with Shop Direct. Miss R was given a £750 credit limit on a Littlewoods account. The credit limit was increased but the balance on this account never exceeded the initial credit limit.

On 15 May 2019, Miss R applied for a credit account with Shop Direct. Miss R was given a £600 credit limit on a Very account. The credit limit was increased in November 2019 to £1,600.

In 2023, Miss R complained to Shop Direct to say that the accounts shouldn't have been opened for her because they weren't affordable and that Shop Direct ought to have made a better effort to understand her financial circumstances before providing her credit. Shop Direct disagreed and so Miss R brought her complaint to this service.

Our investigator did not think the Littlewoods account should be upheld but did think the Very account should be upheld. Shop Direct disagreed. So, the complaint was passed to me to decide.

I issued my provisional decision in respect of this complaint on 17 January 2024, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why it was my intention not to uphold Miss R's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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 made credit available that was unaffordable. Shop Direct has explained that it relied in part on information that Miss R provided at the time of application to assess affordability. They said they carried out credit searches in Miss R's name to assess Miss R's level of debt at the times of each lending decision and to understand how she had been managing that debt. With that information and using their own scoring metric, Shop Direct decided to agree to the two accounts and the subsequent increases to their credit limits.

Littlewoods

The initial credit limit in 2013 was for £750. There were increases to that limit but as the balance on this account never exceeded the initial credit limit, Miss R has not suffered any detriment from having them. And so, I am not considering the credit increases in terms of whether the individual lending decisions were unreasonable. I will of course consider them in respect of Miss R's wider financial position at the times of other lending decisions.

The Shop Direct checks showed that Miss R had only a modest amount of other borrowings and the initial credit limit was for a modest amount. And it appeared that Miss R was mostly managing her existing credit. So, the lending looked to be affordable and reasonable at the time. And I agree.

Very

The initial credit limit in May 2019 was for £600. And there was a credit increase in November 2019 to £1,600.

It's possible that Shop Direct could have made more searching checks before it made its lending decisions. But had they done so, I am not persuaded that what they may have seen would have led them to avoid the lending on the Very account. I'll explain why I say that.

I have noted that Miss R's credit file was reasonably clean at the time of each lending decision. When I say this, I mean that Miss R's management of her existing credit showed no recent history of CCJ's or defaults in the recent time. Shop Direct noted there had been some history of arrears over the preceding two years. And so, I have considered the credit report that Miss R has provided us. This shows Miss R enjoying a cleaner credit history in 2019 than Shop Direct's data suggested to them when they made their lending decisions. So, a more searching enquiry would not have put them off providing credit, most likely.

Shop Direct were obliged to consider all of the data that was available to them at that time. And they had Miss R's account information for the Littlewoods account that they could consider. Looking at that, I can see that Miss R had enjoyed an entirely clear credit performance on that account for the preceding two years when they made their lending decision in May 2019. And that performance was unblemished up to the credit limit increase in November 2019 on both accounts.

I have also looked at the bank statements that Miss R has provided. Had Shop Direct seen these, not that they were obliged to do so, I don't think they would have been put off lending to Miss R. I say that because they show an account that was well managed. The amounts coming in largely matched the amounts going out and the amounts coming in were not modest. And the account was managed largely with a positive balance in the statements I have seen.

So, based on the submissions that have been made to us in this case, I'm not persuaded that fuller enquiries into Miss R's circumstances would have led Shop Direct to conclude it should have taken courses of action that were significantly different to those they took.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit Shop Direct provided to Miss R was unreasonable."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 31 January 2024. Shop Direct has accepted my provisional

findings. At the time of writing, Miss R has not acknowledged receiving my provisional decision, made a further submission for me to consider or asked for an extension to do so. I consider that Miss R has had time sufficient to have made further representations had she wished to do so. So, I am proceeding to my final decision now.

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 considered again all the submissions made in this complaint, and given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for not upholding Miss R's complaint, I have nothing further to add.

My final decision

For the reasons set out, 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 29 February 2024.

Douglas Sayers
Ombudsman