

The complaint

Miss H complains that Shop Direct Finance Company Limited trading as very, irresponsibly gave her a running account credit agreement she couldn't afford.

What happened

In 2014, Miss H applied for a catalogue shopping account with Shop Direct. She was given an initial credit limit of £1,000. The limit was increased 8 times until it reached £5,000 in July 2017. Miss H repaid the balance in full in June 2018.

In 2023, Miss H complained to Shop Direct to say that the account had been unaffordable to her from the outset and the credit limit increases had made her financial difficulty worse. Shop Direct didn't agree it had acted unfairly when lending to Miss H.

I sent Miss H and Shop Direct my provisional decision on 30 January 2024. I explained why I didn't think the complaint should be upheld. I said:

Before lending (including significantly increasing the credit limit) Shop Direct needed to ensure it completed proportionate affordability checks. In deciding what would be proportionate for each lending decision, Shop Direct needed to take into consideration things such as (but not limited to): the amount of credit, the cost of credit, the size of any regular repayments and the consumer's circumstances.

It seems that for the account opening, Shop Direct's affordability assessment was limited to a credit check. This check didn't appear to reveal anything of concern, Miss H had only a small number of existing credit facilities which appeared to have been managed well.

However, given that Shop Direct was proposing to give Miss H a credit limit of £1,000, I fail to see how it could possibly have satisfied itself that the limit would be affordable without having any understanding as to what her income might be. I therefore don't think it completed proportionate or reasonable affordability checks. I think it ought to have made some enquiries of her income.

Miss H has told us her income was irregular as she was working for her mother. She's provided copies of her bank statements to demonstrate this. She also received a small amount of benefits. However, it's clear from the bank statements that Miss H also held another account from which she was transferring money occasionally. We've asked her for further information about that other account, but she maintains she didn't have another bank account. The statements she's provided to us contradict that.

I therefore don't have sufficient information to make a finding on what Shop Direct would likely have found out about Miss H's financial circumstances if it had completed more thorough affordability checks (as I've suggested it should have).

Even if Miss H had only provided similar information to what is contained in the bank

statements she's provided us with, I've not seen anything to persuade me that a limit of £1,000 was unaffordable to her. She seems to have had limited essential monthly expenditure. For example, there is no evidence of her having to pay for housing or utilities. The income she had coming in appeared to be sufficient to cover what essential expenditure she had, with enough left over to comfortably cover regular payments for a credit limit of £1,000. I therefore don't have sufficient evidence to conclude that Shop Direct acted unfairly in opening the account.

For the same reasons, I don't have sufficient information to say that Shop Direct acted unfairly when it increased Miss H's limit for the following six increases up to a limit of £3,300. This is because I don't have enough evidence and information about what more detailed affordability checks would likely have revealed. So I can't fairly say that Shop Direct's lending decisions were unfair or unreasonable. Further, the bank statements Miss H has shared don't indicate she struggled to maintain payments or that this credit caused her financial difficulty, so I'm also not persuaded with what I've seen that the lending caused her any loss.

For the final two limit increases – to £4,300 in December 2016 and to £5,000 in July 2017 – it is largely irrelevant whether Shop Direct acted fairly when lending. This is because the balance on the account never exceeded the previous limit of £3,300. So even if I was to find that the final two limit increases shouldn't have been granted, those two lending decisions haven't caused Miss H any loss as she didn't utilise the credit she was given.

Based on the information I've been provided with I'm not persuaded that Shop Direct acted unfairly in lending to Miss H.

Shop Direct accepted my provisional decision and had nothing further to add. Miss H didn't respond.

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.

As neither party has provided any further comments or evidence I've seen no reason to reach a different conclusion to the one I reached in my provisional decision. For the reasons I've given in my provisional decision, I'm satisfied that Shop Direct didn't act unfairly when lending to Miss H.

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 H to accept or reject my decision before 13 March 2024.

Tero Hiltunen
Ombudsman