

## Complaint

Mrs G has complained that Shop Direct Finance Company Limited ("Shop Direct") irresponsibly provided her with catalogue shopping accounts.

She says that the accounts were unaffordable for her and they as well as the credit limit increases should not have been provided to her.

## Background

Mrs G had two catalogue shopping accounts with Shop Direct. The following accounts were opened on the following dates:

### Very Account

December 2014 – Opened with a credit limit of £1,500.00  
November 2015 – Limit increased to £1,800.00  
December 2015 – Limit increased to £2,050.00  
May 2016 – Limit increased to £2,350.00  
September 2016 – Limit increased to £2,650.00  
December 2016 – Limit increased to £2,950.00  
June 2017 – Limit increased to £3,950.00  
January 2018 – Limit increased to £4,950.00  
July 2018 – Limit increased to £5,850.00  
February 2019 – Limit increased to £6,950.00  
August 2019 – Limit increased to £7,950.00

### Littlewoods Account

September 2018 – Opened with a credit limit of £600  
June 2019 – Limit increased to £1,100.00

### *Shop Direct's conclusions when investigating Mrs G's complaint*

#### Very account

When it reviewed Mrs G's complaint, Shop Direct accepted that it shouldn't have provided Mrs G with any of the limit increases on her Very account from December 2016 (in other words, it should never have increased the credit limit on Mrs G's Very account above £2,650). It agreed to remove all interest charged on balances above £2,650 as a result.

#### Littlewoods account

Shop Direct didn't think that it had done anything wrong when providing Mrs G with her Littlewoods account or increasing her credit limit. So it didn't uphold the complaint about this account. Mrs G was dissatisfied with Shop Direct's response and referred her complaint to our service.

### *Our investigator's findings*

One of our investigators looked at everything provided and thought that what Shop Direct had agreed to do to put things right for Mrs G in relation to the Very account was fair and reasonable in all the circumstances of her case.

However, he didn't think that Shop Direct should have provided the Littlewoods account or offered to increase the credit limit on it. As a result he thought that the complaint about this account should be upheld.

Mrs G didn't offer any further comment in relation to the investigator's conclusions. Shop Direct didn't agree with the investigator's view. It pointed out that Mrs G had never paid any interest on her Littlewoods account before it was settled in full. Therefore, Mrs G had suffered no loss and as it was accepted that it had put things right in a fair and reasonable way on the Very account, her complaint shouldn't be upheld.

As the investigator refused to alter his conclusions stating that Mrs G could have suffered some other unspecified loss, Shop Direct asked for an ombudsman to review Mrs G's complaint.

### **My provisional decision of 5 February 2024**

I issued a provisional decision – on 5 February 2024 - setting out why I was intending to issue a final decision with the conclusion that what Shop Direct had already done to put things right was fair and reasonable in all the circumstances of Mrs G's complaint.

In summary, I thought that Shop Direct's decision to refund all the extra interest, fees and charges on the Very account as a result of the limit increases from December 2016 was fair and reasonable in all the circumstances; and that Mrs G hadn't suffered a loss on her Littlewoods account.

### **Responses to my provisional decision**

Shop Direct responded to confirm that it agreed with my provisional decision and that it had nothing further to add.

Mrs G confirmed receiving my provisional decision but also provided nothing further for me to consider.

### **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Shop Direct needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs G could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Shop Direct should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs G's complaint.

Shop Direct accepts that it shouldn't have provided any of the limit increases on the Very account from December 2016 onwards. So I only need to consider whether the decision to open this account and offer the first four limit increases were fair and reasonable.

I also need to consider the comments made in relation to the Littlewoods account.

#### Very account

It's worth noting that Mrs G offered no comment in relation to the investigator's assessment. So it is not clear whether she remains unhappy with the parts of the complaint about this account which haven't been upheld. However, for the sake of completeness, I have reviewed the lending decisions that were disputed at the time the complaint was referred to us.

Mrs G's Very account was opened in December 2014 with a credit limit of £1,500.00. This was a catalogue shopping account, which under the regulator's rules and guidance is also known as a revolving credit facility. As Mrs G's Very account was a revolving credit facility, this meant that Shop Direct was required to understand whether Mrs G could repay around £1,500.00 within a reasonable period of time.

I understand that Shop Direct carried out a credit check before initially agreeing to provide this account. Shop Direct has been unable to provide a detailed output of its credit checks. But given these credit checks were carried out a number of years ago, I don't find this too surprising and I've not drawn any adverse inferences from this.

What is important to note is that a credit limit of £1,500.00 would not have required a huge monthly payment in order to clear the full amount owed within a reasonable period of time. And the information I've seen about Mrs G circumstances does suggest that she had the funds to make these payments. As this is the case, I'm satisfied that it wasn't unreasonable for Shop Direct to have agreed to open Mrs G's Very account for her.

As I've explained in the background section of this decision, Shop Direct subsequently increased Mrs G's Very credit limit on four occasions until it eventually reached £2,650.00 in September 2016.

Shop Direct hasn't been able to show me that it did anything more than rely on Mrs G's conduct and record on her Very account. However, I don't think that this on its own would have been sufficient. Given the amount Mrs G would be expected to pay on the increased limits, I would have expected Shop Direct to have found out more about Mrs G's income and expenditure (particularly about her actual regular living expenses) before providing the November 2015 increase as well as any further credit limit increases.

Shop Direct has been unable to evidence having done this in this instance. As this is the case, I don't think that the checks it carried out before it provided the November 2015 to September 2016 limit increases were reasonable and proportionate.

Where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I need to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. So I've looked at the information Mrs G has provided to get an idea of what Shop Direct is likely to have learned had it carried out further enquiries into Mrs G's living expenses.

In particular, I've looked at the current account statements Mrs G has provided for the period leading up to the September 2016 credit limit increase. In doing so, I accept that Mrs G's actual circumstances may not have been reflected in the information she has now provided to us and that her account statements, from the time, show that she was overdrawn.

However, I wouldn't have expected Shop Direct to go as far as obtaining Mrs G's bank statements. In any event, the bank statements provided show that Mrs G was receiving regular funds and when her regular living costs and monthly expenditure are deducted from what she received, Mrs G does appear to have enough in funds left over to make the increased repayments needed for the limit increases offered.

Indeed the reason for Mrs G's overdraft usage appears to be because of card transactions rather than her committed expenditure. So I don't think that Shop Direct asking Mrs G for more information on her living costs would have led it to conclude that the November 2015 to September 2016 credit limit increases were unaffordable.

So overall and having carefully considered everything, I'm not persuaded that proportionate checks would have shown that Shop Direct that it shouldn't have initially provided a Very account, or any of the credit increases, up until September 2016, to Mrs G. And I'm therefore not upholding Mrs G's complaint about this limit increase.

Furthermore, as Shop Direct has already accepted that it shouldn't have increased the credit limit on Mrs G's Very account from September 2016 onwards and has refunded the extra interest Mrs G paid as a result of these increases, I'm satisfied that Shop Direct hasn't treated Mrs G unfairly or unreasonably in relation to her Very account.

Therefore, I'm not upholding Mrs G's complaint about her Very account.

### Littlewoods account

I have to begin my findings on this account by apologising for the lack of clarity on the status of this account during the course of this complaint.

Shop Direct has argued and has provided the evidence to show that Mrs G didn't pay any interest at all as a result of having this account. As Mrs G didn't pay any interest and I can't see anything to indicate that there were late payments or anything else that would have led Shop Direct to record adverse information on her credit file, I'm satisfied that Mrs G didn't suffer a loss as a result of having the Littlewoods account, irrespective of whether Shop Direct acted fairly and reasonably when initially providing it, or increasing the credit limit.

Contrary to our investigator findings, it's only fair and reasonable for me to uphold a complaint in circumstances where a customer has or may have suffered a loss. I wouldn't simply uphold a complaint in circumstances where it was clear that there was no loss suffered, after all this service does not exist to punish or fine firms. This service is here to investigate whether things may have gone wrong and if they have, then seek to ensure that the customer hasn't lost out as a result.

I appreciate that it was the investigator's finding that Mrs G may have suffered some other loss. I don't know what sort of other loss this would be, given the nature of the complaint and particularly as his recommendation was to refund interest and remove adverse credit file information. Nonetheless, as Mrs G hasn't alleged some other loss and there's no evidence of such a loss, I'm satisfied Mrs G hasn't suffered a loss in relation to Shop Direct's actions in providing her with a Littlewoods account, or increasing the credit limit.

In these circumstances, I'm not upholding Mrs G's complaint about this account either. So overall and having carefully considered everything, I'm satisfied that what Shop Direct has already agreed to do to put things right for Mrs G is fair and reasonable in all the circumstances of her case. And I do not require it to do anything more, or anything further.

I realise that this will be disappointing for Mrs G particularly as the initial assessment may have led her to believe that she was entitled to more compensation. But I can only apologise for the errors in the previous assessments and I hope she understands the reasons for my decision and why I'm not upholding this complaint.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 5 February 2024, I'm satisfied that what Shop Direct Finance Company Limited has already agreed to do to put things right is fair and reasonable in all the circumstances of Mrs G's case. So I'm not requiring it to do anything more or anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 31 March 2024.

Jeshen Narayanan  
**Ombudsman**