

The complaint

Miss H, who is represented by a third party, says Shop Direct Finance Company Limited ("Shop Direct"), trading as Very, irresponsibly lent to her.

What happened

Miss H opened a shopping account with Shop Direct in January 2011. Her account limit was initially £750 but went on to be increased on 11 occasions between July 2011 and February 2013, when it reached £4,650.

The account fell into arrears in April 2017 with the last payment being made to the account in June 2019. The account went into default and was then transferred on to a third party.

Miss H says that Shop Direct shouldn't have lent to her and that the loan became unsustainable for her, given that she couldn't keep up with the payments.

Shop Direct says it did all the necessary checks before it lent to Miss H and each time when it increased her credit limit.

One of our investigators thought that Miss H's complaint should be partially upheld. But after Shop Direct responded to that finding, another investigator looked at the complaint and said Shop Direct had made a fair lending decision, taking into account Miss H's account payment and credit history before the initial credit was granted and then for each of the credit limit increases.

As Miss H and those representing her have disagreed, the complaint has come to me for a decision.

I should add that Shop Direct also said the complaint had been made too late under our rules. An ombudsman looked at this issue and was satisfied that we were able to consider it. Given that an ombudsman's decision is the final part of our process, I won't be revisiting the jurisdiction aspects in this decision. Instead, I will only make findings on the merits of the complaint.

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.

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.

I'd like to reassure Miss H that I've looked at the complaint afresh and independently reviewed all the available information, including what Miss H and those representing her

have said. Having done so, I am not upholding Miss H's complaint for broadly the same reasons as our investigator. I'll explain why.

Shop Direct says it acted as a responsible lender when opening Miss H's account and increasing her credit limits. Our investigator has set out in some detail why she thinks Shop Direct didn't lend irresponsibly.

In making my decision I've also looked at the overall pattern of Shop Direct's lending history with Miss H, so as to see if there was a point when it should reasonably have seen that further lending was likely to be unsustainable, or otherwise harmful. If so, that would mean Shop Direct should have realised that it shouldn't have further increased Miss H's credit limits.

Having reviewed the complaint myself, including the account history and also the bank statements Miss H sent us, I agree that Miss H didn't lose out due to Shop Direct's actions in relation to make the account available to her to use. I say this for both the point of opening of the account as well as the credit limit increases.

When Miss H opened the account, Shop Direct has told us there were no signs of recent financial difficulties based on the checks it carried out. These checks included a credit check using a credit reference agency. I've also looked at Miss H's credit report which shows that at the time of the account opening she was making use of other credit but had no recent markings on her credit history for the past two years that might be considered adverse. She'd had a county court judgement around eight years previously but this is something I'd treat as being historical and not directly relevant to the lending decision. Her existing credit limits totalled around £1,600 which, taking into account her average monthly income of around £1,000, looked likely to be affordable alongside the initial credit limit. And whilst I can't see that Shop Direct asked about Miss H's sources of income at the time – which may have helped it begin to build a better picture of Miss H's financial circumstances – I consider it's unlikely it would have made a difference to its decision to grant the credit.

Looking then at the series of credit limit increases Shop Direct gave Miss H, I think it may well have been helpful for Shop Direct to have found out more about Miss H's financial situation on each occasion so that it could verify her regular income and committed expenditure. But from what I've seen about her financial situation at each point, I think it's unlikely that had Shop Direct carried out additional proportionate checks, it would have found any of these credit limit increases to be unsustainable.

Our investigator found that over the time she was being granted the further increases in credit, Miss H appeared to be managing her account well. I've noted that for the most part she was using less than half of her available credit limit at any given point. And I can only see evidence of two late payments in her account history, both before she started getting into significant financial difficulty in or around April 2017 and also before her credit limit was reduced to £1,000 in September 2014.

I've seen confirmation from her bank statements that Miss H was receiving an income that was broadly speaking £1,000 each month. I've noted her other credit commitments and it seems that her Shop Direct account was the one where she had the largest balance. Whilst her expenditure exceeded her income in some months this was not a worsening pattern that might raise a concern. It looks to me that Miss H was able to continue repaying the account whilst also being able to meet other credit and daily expenses so as to be left with sufficient disposable income. And I've noted that she didn't have to resort to regular reliance on a bank overdraft.

It follows that I don't consider that I can make a finding that Miss H was struggling with her account, either when the card was opened or for any of the credit limit increases. In the specific circumstances of this complaint, I don't think Shop Direct's actions, first in opening the account and then in increasing the credit limits, would have caused Miss H to lose out. And I'm not persuaded that further enquiries into Miss H's financial circumstances would have been likely to lead Shop Direct to conclude that it should have taken a course of action that was significantly different to what it did.

In summary, although I can't definitely say Shop Direct's actions were necessarily appropriate in all respects, I haven't seen enough evidence or information to persuade me that I would need to make any award in this complaint.

My final decision

For the reasons I've set out above, I am not upholding this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 7 May 2024.

Michael Goldberg

Ombudsman