

Complaint

Mr U has complained that Shop Direct Finance Company Limited (trading as “Very”) irresponsibly provided him with a catalogue shopping account.

Background

Mr U was provided with a catalogue shopping account which had an initial limit of £600 by Very in November 2022. The credit limit on Mr U’s account wasn’t ever increased.

Very didn’t think that it had done anything wrong when providing Mr U with his catalogue shopping account. So it didn’t uphold the complaint. Mr U was dissatisfied with Very’s response and referred his complaint to our service.

One of our investigators looked at everything provided and she thought that Very had hadn’t done anything wrong or treated Mr U unfairly. So she didn’t think that the complaint should be upheld.

Mr U disagreed with our investigator’s assessment and asked for an ombudsman to review his complaint.

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.

Having carefully thought about everything, I’ve decided not to uphold Mr U’s complaint. I’ll explain why in a little more detail.

Very 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 Mr U could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different factors. However, I do think it is reasonable for factors such as how much was being lent, the repayment amounts and the consumer’s income to determine the depth of a lender’s checks.

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 Very 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 Mr U's complaint.

Mr U's catalogue shopping account was opened in November 2022 with a credit limit of £600. Mr U's catalogue shopping account, under the regulator's rules and guidance, is also known as a revolving credit facility. As this was a revolving credit facility, this meant that Very was required to understand whether Mr U could repay around £600 within a reasonable period of time. Not whether he could pay the entire amount in one go.

I understand that Very carried out a credit check before initially agreeing to provide this catalogue shopping account. What Very has provided me with suggests that its credit check did show that Mr U had some existing credit commitments. But given the amount of Mr U's declared income, I don't think that this was excessive – particularly as Mr U could only owe a maximum of a further £600 as a result of this facility.

Furthermore, according to this credit search at least, Mr U doesn't appear to have had any significant difficulties such as defaulted accounts or county court judgements ("CCJ"). The indication is that Mr U's recent accounts – those opened within the two years prior to his application – were all up to date.

I know that Mr U disputes what Very's credit check showed. He's said that he was far more indebted and was experiencing financial difficulty. This may or may not be the case. But I have seen the headline output of Very's credit check and it doesn't show what Mr U is arguing about his circumstances at the time.

It's also worth noting that a credit search which is carried out by a lender will rarely, if ever, go into the same level of detail as a full copy of a credit file which is provided to a customer should they request one from a credit reference agency. So even if Mr U's full credit report shows more detail, I don't think that this is surprising.

As I've said, I've seen the headline output of Very's credit search and I'm satisfied that it was entitled to rely on what this showed. And if this was, as Mr U says, clouded by information having been removed as a result of him making successful irresponsible lending complaints about other lenders, I simply cannot hold Very responsible for this. It could only make a lending decision based on what it saw, or could reasonably be expected to see. And if any adverse credit information regarding Mr U might have been removed from being reported on, Very can't be expected to have known about this.

It is also important to bear in mind the context that a credit limit of £600 would have required low monthly payments in order to clear the full amount owed within a reasonable period of time. And while I appreciate that Mr U will disagree with this, I'm satisfied that the information Very obtained about Mr U's circumstances does suggest that it was reasonable for it to conclude that he had the funds to make the low monthly payment required to clear the amount he could owe within a reasonable period of time.

As this is the case, I'm satisfied that it wasn't unreasonable for Very to have agreed to open a catalogue shopping account, with a limit of £600, for Mr U.

For the sake of completeness and in order to reassure Mr U, I also think that it might be helpful for me to explain that, even if Very had seen some, or all, of what Mr U has referred to about his circumstances, I don't think that this would necessarily have made a difference here.

I say this because even if Very was aware of the extent of Mr U's credit history, I don't think this in itself meant that he shouldn't have been lent to under any circumstances, as he appears to be suggesting. The low amount of additional credit that was being advanced here leads me to think that knowing about Mr U's full credit history, at the absolute best, ought to have seen Very ask Mr U more about his regular living costs.

It's fair to say that Very didn't ask Mr U about his regular living costs at the time. However, I've not seen anything that shows me that Very knowing about Mr U's actual committed non-discretionary regular living expenses would have seen it make a different decision. So, in these circumstances, it's difficult for me to reasonably conclude that Very wouldn't have lent even if it had tried to find out more about Mr U by asking him for his regular living costs.

I'm sorry to hear that Mr U has had difficulty making his payments and I do sympathise with the position he is now in. However, overall and having considered everything, I'm satisfied that it wasn't unfair for Very to have provided Mr U with a catalogue shopping account that had a credit limit of £600 and I'm not upholding this complaint. I appreciate this will be very disappointing for Mr U. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 3 July 2024.

Jeshen Narayanan
Ombudsman