

The complaint

Miss P complains that Shop Direct Finance Company Limited trading as Very irresponsibly granted her a running credit account and increased her limit on the account several times without her consent. Miss P says she couldn't afford it.

What happened

Very agreed to provide Miss P with a running credit account in December 2015 after she applied. It agreed an initial credit limit of £300 and there were several limit increases and one limit decrease. The changes on the account credit limit are detailed below:

Date	Limit	New limit
December 2015	300	-
March 2016	300	500
July 2016	500	1,000
October 2016	1,000	1,500
February 2017	1,500	1,800
August 2017	1,800	2,000
June 2019	2,000	3,000
December 2023	3,000	1,275

When Miss P complained to Very, it didn't uphold her complaint, so she referred it to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think Very did enough checks before lending but concluded that had it done sufficient checks it would still have fairly lent. Our investigator didn't recommend that the complaint be upheld.

Miss P disagreed and said the facility and the increases were unaffordable and she's been unable to repay the borrowing.

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.

Before lending to Miss P, Very needed to complete proportionate affordability checks to ensure the lending would be affordable and sustainable for her. It also needed to do this each time it sought to significantly increase his credit limit. There isn't a set or prescribed list of checks it needed to complete each time, as what is considered proportionate will vary with each lending decision. In deciding what was proportionate, Very needed to consider things such as (but not limited to): the amount of credit, the cost of credit, the size of any regular repayments and Miss P's specific circumstances.

From the information Very has provided, it only requested limited information from Miss P about her circumstances at the time the account was opened. Miss P declared a household income of £20,001 and declared £1 for her gross income. There's no record of Very asking about Miss P's living costs. Very searched Miss P's credit file before each lending decision

and those checks showed Miss P didn't have any defaults or county court judgements (CCJs) recorded against her. Miss P's overall credit utilisation at the time of each lending decision appeared low and there wasn't anything within the results of the searches that I think should have concerned Very.

However, Very had no clear information about Miss P's income and living expenses and so I don't think it did enough before making any of the lending decisions. It would have been reasonable for Very to satisfy itself that Miss P had a regular income and that her living costs didn't outweigh the income she was receiving.

Where a business hasn't carried out sufficient checks, I need to think about what it would likely have found had it done enough checks. So, I've gone on to consider what Very would likely have found had it carried out what I consider to be proportionate checks. Miss P has provided copies of her bank statements around the time of the lending decisions, and I've used these to understand her circumstances.

From what I can see, Miss P's living costs were low, she has told this service she lived with family and so didn't have the typical living expenses she'd have living away from family. I can also see that Miss P was receiving payments for benefits, and her ex-partner's income was also being paid into Miss P's account. I note those payments from her ex-partner's income were used towards the household expenses, so I think it's fair to take that income into account as being available to Miss P. Looking at Miss P's income and expenses at the time the decisions to lend were made, they suggest Miss P could afford the lending. Miss P could afford to make the monthly repayments and have income left.

I'm mindful Miss P has shared sensitive information with this service about her personal circumstances. I'm sorry she'd had such a difficult time and I'm sympathetic towards Miss P's circumstances. My role is to consider whether Very did anything wrong when it lent and if it has, whether this led to a loss for Miss P.

Having fully considered all the information, I think Very didn't do enough before making its lending decisions, but had it carried out reasonable checks like I think it should have, it's likely to have found Miss P could afford the repayments at the time it made its decisions to lend. I appreciate Miss P has said she's struggled to keep up her repayments but the information I've seen suggests Very won't reasonably have been aware of this at the time it made its lending decisions.

I appreciate my decision will likely disappoint Miss P, but I hope my explanation helps her understand why I've reached these conclusions. I'd remind Very to deal positively with Miss P in her financial difficulties and will urge Miss P to work with Very to come to an arrangement to repay the borrowing.

Did Very act unfairly in some other way?

Having considered all the circumstances, I haven't seen that Very acted unfairly towards Miss P in some other way. It reacted to Miss P's struggle to meet her repayments by reducing her limit in December 2023, which I think was fair in the circumstances. Overall, I don't think Very lent irresponsibly to Miss P or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold this complaint or make any awards against Shop Direct Finance Company Limited trading as Very.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 4 November 2024.

Oyetola Oduola
Ombudsman