

The complaint

Mrs H complains Shop Direct Finance Company Limited trading as Very (Shop Direct) lent to her irresponsibly.

What happened

Mrs H opened a catalogue account with Shop Direct in December 2015 with an initial limit of £750. The credit limit was increased and decreased on the following occasions.

Date	Event	New Limit
19 December 2015	Account opening	£750
3 November 2018	Credit Limit Increase (CLI) 1: customer requested	£950
28 September 2019	CLI 2: statement increase	£1,950
5 October 2019	Credit Limit Decrease (CLD) 1: customer requested	£1,450
11 April 2020	CLI 3: statement increase	£2,450
25 April 2020	CLD 2: customer requested	£1,450
16 July 2020	CLD 3: customer requested	£1,150
28 July 2020	CLD 4: customer requested	£950
29 August 2020	CLD 5: customer requested	£850
25 September 2020	CLD 6: customer requested	£800
5 October 2020	CLD 7: customer requested	£750
15 February 2021	CLI 4: statement increase	£1,750
5 April 2021	CLD 8: customer requested	£1,250
12 June 2021	CLD 9: customer requested	£750
10 July 2021	CLD 10: customer requested	£250
20 October 2021	CLI 5: customer requested	£400
27 January 2022	CLI 6: customer requested	£550
20 September 2022	CLD 11: customer requested	£500
2 January 2023	CLD 12: customer requested	£450
4 March 2023	CLD 13: customer requested	£400

Mrs H is represented in her complaint. But for ease of reading, I'll simply refer to Mrs H throughout this decision. Mrs H complained to Shop Direct about the lending on 24 July 2023.

Shop Direct responded to the complaint on 27 September 2023. It didn't uphold her complaint. It said it conducted reasonable and proportionate checks when deciding to lend and increase Mrs H's credit limit. It was satisfied, based on the information obtained, the lending was affordable for Mrs H.

Mrs H remained unhappy and asked our service to investigate. On 7 February 2025 I issued a provisional decision. I said:

In deciding what's fair and reasonable I am required to take relevant law into account. Because Mrs H has complained about the fairness of her relationship with

Shop Direct, the relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Shop Direct) and the debtor (Mrs H), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;*
- the way in which the creditor has exercised or enforced any of his rights under the agreement; and*
- any other thing done or not done by or on behalf of the creditor.*

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given what Mrs H has complained about, I need to consider whether Shop Direct's decision to lend to her and increase her credit limits, or its later actions, created unfairness in the relationship between her and Shop Direct such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs H's relationship with Shop Direct is likely to be unfair if it didn't carry out proportionate affordability checks and doing so would have revealed its lending to be irresponsible and unaffordable, and if it didn't then remove the unfairness this created somehow.

I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- 1. Did Shop Direct carry out reasonable and proportionate checks to satisfy itself that Mrs H was in a position to sustainably repay the credit?*
 - If it did, did Shop Direct make a fair lending decision?*
 - If not, would reasonable and proportionate checks have shown Mrs H would be able to sustainably repay the credit?*
- 2. Did Shop Direct act unfairly or unreasonably towards Mrs H in some other way?*

Shop Direct had to carry out reasonable and proportionate checks to satisfy itself that Mrs H would be able to repay the credit sustainably. It's not about Shop Direct assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

I think it's also helpful for me to explain how the BNPL element of the account Mrs H had with Shop Direct worked. Essentially, Shop Direct's information shows two balances. The first balance represents the current balance and interest is applicable to this balance. The second balance is from the products Mrs H purchased under BNPL. Interest and charges would only be incurred on the BNPL transactions should they not be repaid within the interest free period. Once the interest free period ends, interest is applicable. Interest does not accrue on the BNPL products during the interest free period.

Because of how this account works and from the account history, I'm satisfied Shop Direct did not charge any interest on balances above around £509. However, Mrs H's BNPL balance did exceed this amount and Mrs H has explained she struggled to make the repayments within the interest free period. She says she took out additional credit. So, it's important to consider whether Shop Direct created unfairness in the relationship by providing the credit limits it did.

Account Opening (£750 - December 2015)

Shop Direct has provided information to show what checks were carried out when the account was opened. The account data shows Mrs H was unemployed at the time and receiving benefits of around £4,001 annually (around £333 a month). It also noted household income of around £21,501. The total monthly repayments for credit commitments were £291 but this seems to have been largely because of an associated credit account with a balance of around £3,292. The balance for Mrs H's sole unsecured debt was around £75. All accounts were up to date at the time of the lending and the data showed no arrears from the previous 24 months. However, it did record two payments down for all accounts for the previous 12 months.

Having considered this, I don't think Shop Direct carried out reasonable and proportionate checks to ensure Mrs H could sustainably make the repayments. Although the credit limit wouldn't need a significant monthly repayment amount to repay the full credit limit in a reasonable period of time, I recognise Mrs H was receiving a low income. Additionally, this income was from benefits which meant it was likely to be fairly fixed.

I appreciate Shop Direct considered Mrs H's household income. In the circumstances, I think it's reasonable to have expected Mrs H's husband's income to cover a higher proportion of the household expenditure. However, the lending was going to be a commitment in Mrs H's sole name, and I don't think it was reasonable to rely on household income without an understanding of Mrs H's access to the household income and her own expenditure. Without this information, I don't think Shop Direct could reasonably assess whether she could sustainably make the repayments.

In order to consider what reasonable and proportionate checks were likely to have shown, I've considered bank statements provided by Mrs H which covers the period leading up to the lending decision. In light of the limit being provided, I don't think Shop Direct needed to go as far as to get statements. However, the information does tell me what was likely to have been disclosed to Shop Direct at the time had it asked Mrs H some further questions.

From the statements, I can see Mrs H received around £329 per month for her PIP payment. It seems Mrs H was responsible for paying the council tax (around £119), her phone bill and she was repaying some of the unsecured debt. She had some payments towards food but little other regular commitments. She has explained her

husband paid the mortgage payment at the time and this is reflected in the statements. Based on this and what I think was likely to have been disclosed to Shop Direct at the time, I'm satisfied reasonable and proportionate checks would have shown she had sufficient disposable income to sustainably repay the relatively modest credit limit given.

CLI 1 (£750 to £950 – November 2018)

At this point, I do want to acknowledge that in relation to this credit limit increase, our Investigator felt Shop Direct made an unfair lending decision. They felt the information Shop Direct had about Mrs H demonstrated that she couldn't afford the repayments. However, I'm mindful Shop Direct took into account associate credit commitments and household income. Our Investigator has placed less weight on this, explaining it appeared unaffordable based on the commitments and Mrs H's income. Having considered the information, I have reached a different view on this.

I do recognise this was only a credit limit increase of £200 which reflects a relatively small increase in a sustainable monthly repayment amount, and Mrs H had been managing her account well at this point. However, I've already explained I don't think it was fair for Shop Direct to have relied on household income without finding out more about it or Mrs H's own expenditure. Mrs H had a relatively low and fixed income so I think it ought to have done more to check she could sustainably afford more credit. I also recognise some time had passed since Shop Direct's initial decision to lend.

Again, I've considered statements to see what was likely to have been disclosed to Shop Direct. I can't see Mrs H's expenditure had significantly changed or increased since the opening of the account and I note she had also started to receive child benefit. Her PIP payment was also due to increase in November 2018 (as shown on the statements). So, I don't think reasonable and proportionate checks were likely to have shown this credit limit was unaffordable for Mrs H.

CLI 2 (£950 to £1,950 – September 2019)

Shop Direct initially increased the limit to £1,950. I think this is a significant amount of credit for someone with a fairly low and fixed income. However, Mrs H asked for the limit to be decreased shortly afterwards and didn't utilise this level of credit. So, it doesn't appear Shop Direct caused the relationship to become unfair by increasing the limit to £1,950.

However, when the credit limit was reduced, it was reduced to £1,450 which was higher than what had been available to Mrs H before September 2019. This credit was utilised by Mrs H for BNPL purchases. In the circumstances, I think it's reasonable to consider whether Shop Direct had sufficient information to show this amount of credit was affordable for Mrs H and whether it was fair for it to provide this level of credit.

Shop Direct's account notes show Mrs H had been managing the account well and had not been utilising a significant amount of the credit. The credit search also didn't reveal there had been any major changes in Mrs H's circumstances. For example, monthly repayments remained relatively steady and there were no arrears recorded.

Nevertheless, I'm satisfied this was a significant increase and Shop Direct didn't have a clear picture of Mrs H's own expenditure or her access to household income. So,

again I think it ought to have obtained some more information about this before significantly increasing the limit.

Again, I've considered the statements, and it doesn't seem Mrs H's committed spend had significantly increased at this time. I understand she was still responsible for paying the council tax, the statements show some payments towards food and a phone bill. She was also receiving a higher PIP payment (£595.40) and child benefit (£82.80). It seems from the statements her income was sufficient to cover her non-discretionary spend at the time and sustainably make repayments towards this credit limit increase.

CLI 3 (£1,450 to £2,450 – April 2020)

Shop Direct increased Mrs H's credit limit in April 2020. However, I can see Mrs H asked Shop Direct to reduce the credit limit back to £1,450 in the following month and her balance never exceeded this. So, even if I concluded it wasn't fair for Shop Direct to increase her limit here, there has been no detriment to Mrs H and any unfairness which might have been caused in the relationship was rectified by the reduction in the credit limit.

CLI 4 (£750 to £1,750 – February 2021)

Prior to this increase and between April 2020 and October 2020 Mrs H had asked for her credit limit to be reduced six times. This meant she had requested for her credit limit to be decreased from £2,450 to £750. Although a few months had passed between October 2020 (when the last decrease was requested) and when Shop Direct increased this limit, I think this indicated Mrs H didn't necessarily want access to additional credit and had taken steps to reduce the credit available to her.

However, Mrs H's overall balance at this time did not exceed £750 so even if I were to say Shop Direct shouldn't have increased Mrs H's limit to £1,750, she didn't utilise the additional credit available. Therefore, it doesn't seem this credit limit increase has created unfairness in the relationship.

CLI 5 (£250 to £400 – October 2021) and CLI 6 (£400 to £550 – January 2022)

I note both of these increases were requested by Mrs H. They were lower limits than Mrs H had previously managed, and I'm satisfied they do not represent significant increases. There weren't any significant changes or adverse information in the credit search Shop Direct conducted. Also, there wasn't anything in Mrs H's account management which indicated further checks were necessary to ensure these credit limit increases were affordable and sustainable. Having considered the information Shop Direct had at the time, I'm satisfied it made fair lending decisions when agreeing to increase Mrs H's limit in October 2021 and January 2022.

Did Shop Direct act unfairly or unreasonably in some other way?

Mrs H has told us she was compulsively spending because of her mental health and was struggling with credit at the time. She's provided evidence which supports this, and I appreciate she feels Shop Direct contributed to her difficulties by increasing her credit facility. I can't see from the account notes that Mrs H let Shop Direct know she was struggling with compulsive spending and there aren't clear signs from how Mrs H was using the credit that she was having difficulty repaying credit or managing her finances. Although she was utilising the credit available, having reviewed the account

history it doesn't seem it would have been apparent to Shop Direct that she was using it in a way which was harmful to her.

Mrs H's BNPL balance was highest in October 2019 when it was around £1,430. So, I appreciate there were times when her BNPL balance was high, but it seems from the account history that Mrs H would go on to make repayments and the balance reduced. I don't think there had been anything in how Mrs H managed her account leading up to this larger BNPL balance to suggest to Shop Direct she might have a problem managing her spend.

Mrs H said she was sure she didn't pay off the BNPL within the interest free period. I can see from Shop Direct's account notes that this was the case on occasions. For example, items were transferred in February, May and July 2023. This meant BNPL balances were transferred, and interest was applicable. However, Mrs H had reduced the BNPL balance so when interest became applicable throughout the running of the account the chargeable balance didn't exceed around £509. Therefore, I'm satisfied Shop Direct did not charge interest on balances above this amount.

Mrs H has also said she had to utilise other credit in order to pay off her Shop Direct account. She has provided information to show how she used a loan to repay the credit when the interest free period was ending. I can see some larger payments towards the BNPL balance on the account history. However, I don't think this ought to have prompted Shop Direct to do anything further here. For example, it wouldn't be unusual for consumers to utilise lower interest products to reduce monthly repayment amounts even where those payments might be affordable.

Additionally, I can see Mrs H did not use the full amount she received from the loan to repay her Shop Direct account. This means she has had some other benefit from taking out additional credit and even if I were to uphold this complaint, I wouldn't be able to conclude Shop Direct were responsible for the interest and charges associated with the other credit taken out.

I note the credit limit for the account has now been reduced to £400 and the account notes indicate spending is suspended. So, I don't think there is evidence Shop Direct acted unfairly in some other way or the relationship is currently unfair.

Summary

I appreciate my decision will be considerably disappointing for Mrs H who feels very strongly about her complaint and has spent time gathering relevant evidence to support her position. I want to assure her that I have considered everything which has been provided. Having done so, I can't say Shop Direct should do anything to resolve this complaint.

Overall, and based on the available evidence I don't find that Mrs H's relationship with Shop Direct is currently unfair. For the reasons explained above, it's not clear enough to me that Shop Direct created unfairness in its relationship with Mrs H by lending to her irresponsibly initially, or in respect of the other credit limit increases. I don't find Shop Direct treated Mrs H unfairly in any other way.

Shop Direct confirmed it had nothing to add. However, Mrs H didn't agree with my provisional decision. In summary, she said:

- Shop Direct did not request proof of income when it provided credit or increased her credit limit. So, the checks completed were not reasonable and proportionate. Shop

Direct should have asked quick questions to protect consumers and which would indicate a vulnerability.

- Appropriate checks into her income would have highlighted her disability benefit. She said this would have flagged a possible vulnerability. Also, Shop Direct would have noted her income was from benefits which could have been stopped at any time. She said lack of proper checks made it easy for her to get credit. It wasn't responsible lending because Shop Direct didn't ask for proof of income. She said it's not responsible to give credit so freely to someone who is unemployed and receiving disability benefits.
- Some people over spend or spend unnecessarily in an attempt to cope with mental health conditions which causes vulnerability. Mrs H explained she has mental health problems and a symptom of this is compulsive spending. This meant she didn't think about the consequences of additional credit and Shop Direct made making purchases too easy for her. She said it is a secretive issue. Having the credit available to her, made her feel worse as she had to try and stop herself from spending and then she spent without thinking.
- The account is solely in her name, so household income shouldn't be included. Shop Direct asked for no proof of household income and if Shop Direct considered her husband's income, then the account should also be in his name. Her bank statements clearly show she didn't receive any income from him.
- She took out additional borrowing to pay off the BNPL balance. Although it meant less interest was applied on her Shop Direct account, it meant moving the debt somewhere else. This also meant she could spend more. She said she took out a credit card to clear the balance and then had to try not to impulsively spend on the credit card. It wasn't just the debt she got into which affected her but the psychological impact of having credit available.
- Mrs H referred to information that the Financial Conduct Authority (FCA) issued about vulnerable circumstances in April 2014. This included information about the risks of over-indebtedness for consumers on a low income and some of the reasons behind this included a greater level of income volatility, little or no savings and a lower level of product knowledge. Mrs H pointed to the risk factors for consumers receiving benefits.
- Mrs H also referred to Consumer Duty which came into force in July 2023. She highlighted the essential areas for lenders assessing affordability. She said her income wasn't ever verified or proved, her essential expenditure and disposable income never looked at, there was no monitoring of affordability and the data processes used weren't explained.
- If Shop Direct had looked into everything it should have, then it would have prevented her from taking out additional borrowing and she wouldn't have been able to compulsively spend. Shop Direct made it too easy for her to get credit and didn't follow steps to try and protect her.

As both parties have now had the opportunity to respond, I'll proceed to issue my final decision on the matter.

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.

Having done so, I'm not upholding this complaint for largely the same reasons as I set out in my provisional decision. I appreciate Mrs H will be very disappointed by my decision and I

want to acknowledge all the time she has spent submitting her evidence and arguments to our service. I set out what I thought about each lending decision made by Shop Direct in my provisional decision, so I won't repeat this. However, I do want to provide some further clarity considering Mrs H's response to my provisional decision and I've explained why my decision remains unchanged below.

Consumer Duty

I'd note Mrs H referred to Consumer Duty and some of the expectations around lenders' affordability checks. Consumer Duty didn't come into force until 31 July 2023, and it is not applied retrospectively. In the circumstances of this complaint, all of the lending decisions made by Shop Direct happened before 31 July 2023.

However, I do want to assure Mrs H that I've thought about the relevant rules and guidance which were in place at the time of the lending decisions. This includes Shop Direct's obligations as a responsible lender as set out by the FCA in its specialist sourcebook 'CONC'. This includes the requirement to carry out reasonable and proportionate checks to ensure lending is affordable and sustainable. Having done so, I'm satisfied the complaint shouldn't be upheld for the reasons explained in my provisional decision.

Income Verification

I note Mrs H's comments about Shop Direct's failure to verify her income. I've concluded Shop Direct ought to have done more in respect of most of the lending decisions to understand whether the lending was affordable. This included the initial application and most of the increases to Mrs H's credit limit.

The application noted Mrs H was unemployed, but she did state she was receiving some income. I think it's reasonable to have expected this income to have come from some form of benefits in the circumstances. I've set out in my provisional decision what Shop Direct were likely to have found out about Mrs H's income had it reasonably sought to obtain further information about her circumstances. For the initial account opening, this was around £329 a month and it increased slightly in the later years.

Mrs H has also said her benefits could have stopped at any time and this ought to have been considered. However, Mrs H had been receiving benefits and was relying on this to support her income. I haven't seen anything to suggest Shop Direct ought reasonably to have foreseen the circumstances around her income might change.

Household Income

Mrs H said her husband's income shouldn't be taken into account when assessing whether the lending was affordable because the account was in her sole name. She said she received no income from her partner as demonstrated by the statements she provided. I also don't think it was fair for Shop Direct to consider household income without finding out more about Mrs H's access to it.

As set out in my provisional decision, it wouldn't be unusual in the circumstances to expect her husband's income to cover a larger proportion of the household spend. This does appear to have been the arrangement. For example, Mrs H has told us he was responsible for the mortgage repayments, and I can't see payments from her statements towards this.

I want to be clear I've reviewed Mrs H's income and expenditure based on the transactions I can see on her statements and what I think was most likely to have been disclosed at the

time. Having done so, I'm satisfied with what I set out in my provisional decision about each lending decision made by Shop Direct.

Vulnerable consumer

Mrs H has set out the difficult circumstances she experienced at the time of the lending and the impact this had on her. I want to thank her for the time she has spent explaining the impact as it's given me the opportunity to fully consider the circumstances of her complaint and I can appreciate it is likely to have been difficult to revisit the experience she had.

I note Mrs H has explained she was on benefits and Shop Direct ought to have asked her further questions to decide whether she might be vulnerable. I have thought about the FCA's information referred to by Mrs H and considered relevant rules at the time of the lending. I do want to explain that although a consumer might be in receipt of disability benefits, it doesn't necessarily mean credit shouldn't be provided.

Nevertheless, as explained, I do agree Shop Direct ought to have asked more questions about Mrs H's financial circumstances when deciding to lend. Mrs H was in receipt of low income, and this was likely to be fairly fixed so Shop Direct ought to have found out more to check the lending was affordable. However, I don't think this meant Shop Direct were likely to have discovered Mrs H was vulnerable in such a way that providing credit would be inherently harmful to her.

I'm mindful Mrs H did want the lending when she applied for it, and she also requested for her credit limit to be increase in November 2018. Shop Direct also proactively increased her limit in September 2019 when it was increased to £1,950 but subsequently decreased to £1,450 shortly afterwards. Whilst I think Shop Direct should have done more, from the evidence I've seen I'm unable to conclude its likely Shop Direct would have discovered Mrs H had a problem with compulsive spending at the time they agreed to provide the lending or that this credit was unaffordable for her.

The credit limit was then increased to £2,450 in April 2020, but the higher limit was not utilised, and Mrs H requested for it to be decreased back to £1,450 in the same month. Mrs H subsequently requested several decreases leading up to Shop Direct's decision to increase her limit again in February 2021. As set out in my provisional decision, it does seem Mrs H was attempting to reduce the amount of credit available to her. I think this ought to have prompted further questions before Shop Direct proactively increased her limit in February 2021.

Mrs H has explained it was difficult to manage even knowing she had credit available for her. I understand why this would be the case in the circumstances she's described. Nevertheless, I'm mindful it seems from Shop Direct's system notes it contacted her about increasing her limit prior to implementing it. Mrs H could have opted out or requested for the limit to be decreased. Importantly, Mrs H's overall balance (including the BNPL balance) did not exceed £750 which had been the limit available to her before the increase in February 2021. The credit limit was subsequently decreased again. As the additional credit wasn't utilised, I'm not persuaded unfairness was created in the relationship.

There were two further credit limit increases in October 2021 and January 2022. These were for relatively small amounts and Mrs H had requested these increases. As explained, I don't think it was unreasonable for Shop Direct to provide this credit. And I don't think there was anything to suggest Shop Direct ought to have discovered it might cause harm by doing so.

Whilst I appreciate Mrs H has been left feeling Shop Direct ought to have discovered more about her circumstances at the time, I'm not persuaded this means her complaint should be

upheld or that Shop Direct created unfairness. Although at times Mrs H was utilising a lot of the available credit, I don't think she was using the account in a way which might have suggested to Shop Direct she had a problem controlling her spend.

Summary

Overall, I see no reason to depart from the conclusion I reached in my provisional decision. I've set out in detail what I think about each of Shop Direct's lending decisions and why I don't feel it has created unfairness in the relationship. Additionally, I haven't seen evidence the relationship is currently unfair or Shop Direct treated Mrs H unfairly in some other way.

My final decision

For the reasons outlined above, I'm not upholding the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 10 April 2025.

Laura Dean
Ombudsman