

Complaint

Miss M has complained that Shop Direct Finance Company Limited (trading as “Very”) irresponsibly provided her with a catalogue shopping account and limit increases despite the fact that they were unaffordable for her.

She’s also complained that adverse information was unfairly recorded against her with credit reference agencies and that her account wasn’t closed when she asked for this to be done.

Background

This complaint is about a catalogue shopping account Very initially provided to Miss M in April 2018. Miss M was initially given a credit limit of £250. This limit was then increased on to £750 in November 2018; £850 in May 2019; £1,350.00 in August 2020; and finally £2,350.00 in August 2021. However, as far as I can see Miss M never had a balance exceeding £1,350.00 so she never used the additional credit offered in August 2021.

One of our investigators looked at everything provided and didn’t agree that proportionate checks would have shown Very that it shouldn’t have provided this account or the subsequent credit limit increases to Miss M. He also thought that Very hadn’t unfairly reported adverse information against Miss M, or refused to close her account. So he didn’t think that Miss M’s complaint should be upheld.

Miss M disagreed with our investigator’s conclusions and asked for an ombudsman’s review of the 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.

Having carefully considered everything, I’ve decided not to uphold Miss M’s complaint. I’ll explain why in a little more detail.

I’ve started by considering whether Miss M should have been provided with her catalogue shopping account or offered her credit limit increases.

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.

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 Miss M 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 Very should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors, are not limited to but 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 Miss M's complaint.

Miss M's account was opened in April 2018 with a credit limit of £250. The catalogue shopping account Very provided Miss M with was a revolving credit facility. This meant that Very was required to understand whether Miss M could repay £250 within a reasonable period of time.

To start with, I think it's worth me mentioning that while it's fair to say that Miss M was young, she was nonetheless over the minimum age to enter into a credit agreement. So I don't think Miss M's age in itself means that she shouldn't have been lent to. From what I can see, Miss M said that she was full time employed, with an annual salary of £11,000.00 and lived at home with parents. Very also carried out a credit check before initially agreeing to provide this account.

I can see that his credit check information showed that Miss M had three active credit accounts and didn't have any significant adverse information such as defaulted accounts or county court judgements recorded against her. Furthermore, she doesn't appear to have been excessively indebted at this stage either.

It is also important to note is that a credit limit of £250 required low monthly payments in order to clear the full amount owed within a reasonable period of time. Bearing in mind the information obtained and the low amount of the monthly payment that would be required, I'm satisfied that Very was reasonably entitled to conclude that Miss M could repay £250 within a reasonable period of time.

As this is the case, I'm satisfied that Very was reasonably entitled to accept Miss M's application for a catalogue shopping account and provide her with a credit limit of £250.

As I've explained in the background section of this decision, Very subsequently increased Miss M's credit limit on four occasions – to £750 in November 2018; £850 in May 2019; £1,350.00 in August 2020; and finally £2,350.00 in August 2021. I've already explained that Miss M didn't use any of the additional credit offered from August 2021 onwards. Therefore, I'll simply focus on whether Miss M should have been offered the first three limit increases.

At the time of providing the November 2018 limit increase, bearing in the circumstances, I would have expected Very to have found out more about Miss M's income and expenditure (particularly about her actual regular living expenses) before providing this (as well as the

subsequent credit limit increases). I say this particularly as I can't see that Very had any indication that Miss M's relatively low income, which could manage a limit £250 but not necessarily £750, had increased.

Very 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 2018, May 2019 and August 2020 credit 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 Miss M has provided to get an idea of what Very is likely to have learned had it carried out further enquiries into Miss M's income and living expenses.

In particular, I've looked at the current account statements Miss M has provided for the period leading up to the credit limit increases. However, the statements provided do show that Miss M was receiving regular funds and when her regular living costs and monthly expenditure are deducted from what she received, she does appear to have sufficient funds left over to make the increased repayments needed for the limit increases offered.

I accept that Miss M's actual circumstances may not be fully reflected in the information Very had or what shows in the bank statements she has provided. I've also seen what Miss M has said about paying her father back for a car he provided her with. However, this agreement Miss M had with her father did not show on the credit check carried out, which Very was entitled to rely on. This type of arrangement wouldn't show up in any type of credit check carried out.

And in circumstances where knowing more about Miss M's income and regular living costs would not have shown that the amount of the monthly repayments were unaffordable for Miss M, I don't think that further checks would more likely than not have prevented Very from offering her the November 2018, May 2019 and August 2020 credit limit increases either.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Very that it shouldn't have provided Miss M with this catalogue shopping account, or any of the subsequent credit limit increases either.

In reaching my conclusions, I've also considered whether the lending relationship between Very and Miss M might have been unfair to Miss M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Very irresponsibly lent to Miss M or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

I now turn to the late payment information Very reported about Miss M to credit reference agencies. I know Miss M has said that she believes that the investigator's assessment did not acknowledge the serious impact of the situation.

So in the first instance I wish to make it clear that I do sympathise with Miss M's situation. I can fully appreciate why she's unhappy with adverse information being recorded on her credit file and why she is worried about the impact this will have. But I can't direct Very to remove the adverse information simply because of the possible impact going forward. It's

only fair and reasonable for me to make such a direction in circumstances where Very incorrectly recorded this information in the first place.

I've therefore considered whether Very was entitled to record the information that it did. In doing so, I've noted that Miss M says that she didn't know that her payment was due and that is why it was late. However, I've seen that Miss M had set her preferences to receive mail (including her statement notifications) as well as operate her account online.

I can see that Very sent Miss M an email in November 2023 letting her know that her statement was ready to view online and that she needed to make a payment of £18.43 by 12 December 2023. I've also seen that this email was sent to the email address which Very held for Miss M, which is also the same address Miss M has been corresponding with us from during the course of her complaint.

I accept it's possible that Miss M overlooked the email and didn't check her statement as a result. But, given the circumstances, I cannot reasonably say that Very did not inform Miss M that her payment was due via the method she requested. As this is the case and Miss M didn't make her payment by 12 December 2023, I'm satisfied that Very was reasonably entitled to record the information that it did.

I'm afraid that asking Very to remove this information, would result in me directing it to record that Miss M made this payment on time in circumstances where she did not. Indeed, this would also require Very to record inaccurate information and would require it to act contrary to the principles of reciprocity which all lenders are required to adhere to as a result of joining credit report sharing services.

Bearing in mind the above, while I sympathise with what Miss M has said about the impact that the adverse information will have on her, I'm satisfied that it was fair and reasonable for Very to record the information that it did. As this is the case, I'm not upholding this part of the complaint, or requiring Very to amend the adverse information it recorded.

Finally, I've also considered what Miss M has said about Very failing to close her account when she requested that it do this. I can see that Miss M has provided a copy from an email dated 7 July 2022. This email does inform Very that she wishes to close her account and as Miss M had a zero balance at this stage, it is clear that Miss M was entitled to close her account at this stage.

However, the email address that Miss M used was incorrect. It's my understanding that Miss M accepts this is the case. So Very did not receive Miss M's request to close her account and it therefore wasn't aware of her wishes. As such it couldn't have acted upon a request that it wasn't aware of – particularly as Miss M ended up making further orders later on.

I appreciate that Miss M says that she wasn't made aware of the correct email address. But Very's website and Miss M's statements all have this information as well as details of a telephone helpline, which Miss M could have called if she wanted further information or wanted to close the account over the phone. In these circumstances, I'm afraid that I cannot reasonably say that Very refused to action a request to close Miss M's account, or that it failed to act fairly and reasonably in relation to this matter either.

Overall and having considered everything, I've not been persuaded to uphold Miss M's complaint. I appreciate this will be very disappointing for Miss M as it is clear that she feels very strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 28 November 2024.

Jeshen Narayanan
Ombudsman