

The complaint

Mr R complains that Shop Direct Finance Company Limited trading as very (SDFCL) was irresponsible in its lending to him. Mr R is represented by a family member Ms R.

What happened

Mr R was provided with credit account by SDFCL in November 2020 with an initial credit limit of £250. The credit limit was increased to £725 in March 2022.

Ms R says that at the time the credit was provided Mr R was unemployed and only receiving minimal benefits. She didn't think that SDFCL carried out proper checks before the credit was provided. She explained that Mr R couldn't afford the repayments and his account was in arrears which was affecting his already fragile mental health.

SDFCL issued a final response to Mr R's complaint dated 3 November 2023. It said that proportionate checks were carried out before the credit was provided, using information given by Mr R in his application along with information from the credit reference agencies. It said that the credit limit increase was applied after an assessment of his account was undertaken. It also said that it reduced Mr R's credit limit when it deemed this appropriate. It said that it wasn't aware of Mr R's health circumstances at the time of application or after the account was approved.

Ms R referred this complaint to this service on behalf of Mr R.

Our investigator considered the evidence given in this complaint. He didn't think that proportionate checks had been carried out before the credit was provided and so considered what would likely have been identified had these happened. Our investigator looked through Mr R's bank statements for the months leading up to the initial account opening and the credit limit increase. Based on the evidence he saw he didn't think that further checks would have shown the lending to be unaffordable. Therefore, he didn't uphold this complaint.

Ms R, on behalf of Mr R, didn't accept our investigator's view. As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Ms R has power of attorney for Mr R. However, as SDFCL wasn't aware of Mr R's health circumstances when he applied for the account or subsequently, I do not find I can say it was able to take this into account at the time the lending decisions were made.

Before the credit agreement was provided, SDFCL gathered information about Mr R's employment, income and residential status and carried out a credit check. Mr R was recorded as being self-employed with an annual income of £11,501 and living with parents. Ms R has said that Mr R was unemployed at the time. In this case, while the credit check didn't raise any concerns in terms of any adverse data the information gathered was limited. While current account turnover is often used to validate a customer's declared income this didn't happen in this case, and I think it would have been proportionate for SDFCL to have validated Mr R's income before providing him with credit.

While I do not think that SDFCL was required to obtain copies of Mr R's bank statements, I have used the information in these to understand what further checks would likely have identified.

Account opening – November 2020

In the months leading up to the SDFCL account being provided, Mr R's bank statements show he was receiving benefits totalling around £685 a month. This results in an income lower than Mr R declared and supports Ms R's comment that he wasn't employed at the time. However, it is reasonable to consider income from benefits when assessing affordability and while Mr R received a relatively low amount into his account each month, he wasn't making payments for costs such as rent or utilities. Looking at his regular costs these were for a dental plan and general living costs. Deducting his regular payments and general living costs from his income, still left Mr R with sufficient disposable income to meet the repayments that would be due on a £250 credit limit. Therefore, I do not find that further checks would have suggested the SDFCL account with a £250 credit limit would be unaffordable.

Credit limit increase – March 2022

Mr R's account management before the credit limit increase showed that he had incurred administration charges, however none had been incurred in the three months prior to the increase. Mr R's account balance had remained within the credit limit, and while he had missed the occasional payment, he had then brought his account up to date and he hadn't missed any payments in the previous few months. So, on balance, I do not find I can say that Mr R's account management was such that a credit limit shouldn't have been applied. That said, I think it was important to carry out checks to ensure any additional lending would be affordable for him.

The credit check carried out at the time showed that Mr R had a credit card with a balance of £136, around 80% of his credit limit. The credit report didn't raise concerns about how Mr R was managing his existing credit commitments. His bank account statements show that he received around £600 from benefits in December 2021 and January 2022. The account statements for February 2022 aren't complete. Mr R's regular costs included payments for communications/media contracts, limited credit commitments, a dental plan and general living costs. However, taking these into account, would still leave him with sufficient disposable income to cover the cost of the increased credit limit. Therefore, I do not find I can say that further checks would have shown the credit limit increase to be unaffordable.

I've also considered whether SDFCL acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with Mr R might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think SDFCL lent irresponsibly to Mr R or otherwise treated him 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.

For the reasons set out above, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 18 April 2025.

Jane Archer
Ombudsman