

## **The complaint**

Miss J says Shop Direct Finance Company Limited ("Shop Direct") irresponsibly granted her two accounts, each with a running credit facility.

## **What happened**

This complaint is about two Very catalogue accounts provided by Shop Direct to Miss J. The first account (ending 9817) was opened in January 2015 with Miss J being given an initial credit limit of £1,350. This limit was then increased twice: to £2,200 in January 2017 and then to £3,200 in August 2018.

The second account (ending 4025) was opened in May 2015 with Miss J being given an initial credit limit of £1,500. The credit limit on this account was increased four times: to £1,800 in December 2015; to £2,800 in January 2017; to £3,800 in March 2018 and finally to £3,600 in October 2023.

Miss J says it was irresponsible of Shop Direct to provide her with both accounts and then to go on to increase her credit limits when it ought to have already been aware of her existing level of financial commitments.

Shop Direct didn't agree that it had acted unfairly with the two accounts.

Our investigator at first said part of the complaint ought to be upheld. This was on the basis that Shop Direct ought not to have increased Miss J's credit limits on both accounts in March and August 2018. This was because by this time he found that Miss J no longer had sufficient disposable income to be able to affordably repay the new credit limits. However, more recently he said that Miss J hadn't suffered any loss and therefore Shop Direct didn't need to do anything more. This was because Shop Direct pointed out that Miss J hadn't paid any interest or fees on her buy now pay later purchases and therefore hadn't incurred any financial loss or other detriment.

Miss J disagrees with our investigator's finding and has sent us further evidence to support her view. The complaint has therefore been passed to me.

## **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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss J's complaint.

In her response to our investigator's most recent finding, Miss J has provided detailed commentary to support her view that had Shop Direct carried out better checks, it would have seen that the credit was unaffordable for the opening of each account, as well as those credit limits that came before 2018.

Having reviewed all the available evidence and information afresh, I've reached a conclusion that's broadly similar to that of our investigator. That's because, aside from agreeing that Very ought not to have increased Miss J's credit in March 2018 (for account ending 4025) and August 2018 (for account ending 9817), I don't think Shop Direct's actions have caused Miss J other financial loss. I'll explain why.

Before providing credit and increased credit to Miss J for each account, Shop Direct says it carried out credit checks using a credit reference bureau to arrive at the amount of credit it was able to offer. One account default elsewhere was noted, from almost two years earlier. That's relevant, but on its own isn't enough to suggest new credit would be unaffordable given that time that had passed. I see Miss J had around £50,000 in total available credit – although she has questioned this figure. The application details for the first account don't confirm her income or residential status as a home-owner with a mortgage, although I think those checks were likely to have been carried out as a matter of course.

Going forwards, Shop Direct has told us it monitored the way Miss J managed both of her accounts and used this information to help assess if credit limit increases on each account would be affordable.

I agree with our investigator that, given Miss J's level of credit indebtedness elsewhere and notwithstanding her level of income, it would have been proportionate for Shop Direct to have gained a more thorough understanding of Miss J's financial circumstances before agreeing to lend to her, both in terms of the opening credit and the increases that followed. For instance, Shop Direct didn't ask Miss J about what she had to spend each month in terms of committed expenditure. So I need to think about what Shop Direct would have been likely to have seen had it carried out more reasonable and proportionate checks.

Miss J has sent us bank statements covering the relevant periods. Miss J was receiving what can be regarded as a relatively good income from stable employment, paid monthly. I agree with Miss J's comments to the effect that her net monthly income for the outcome openings was around £3,250. Our investigator reviewed the bank statements and concluded that up until early 2018, Miss J had enough disposable income to be able to afford the credit she was being given, alongside the credit she had already used.

At this point, I would like to address some of the other specific issues that Miss J recently raised. I must emphasise that I have considered all the points she's made, alongside the rest of available evidence and information about the complaint. I'm not going to comment here on every point but I have taken everything on board in order to reach what I think is the right outcome.

Miss J refers to payment issues she had with another catalogue account provider at around this time. But Shop Direct could only be expected to act on information that was recorded with the credit reference agencies it used.

Miss J has also referred to her overdraft usage, something that is clear from her bank statements. Overdrafts are intended as a short-term or emergency form of credit. I do think that the size of Miss J's overdraft and it being in constant use is a concern – and is one indicator, potentially at least, of being in financial difficulty. But I don't consider this in itself as being enough to show that Shop Direct ought not to have lent to her, had it become aware of it. Miss J had kept within her agreed overdraft limit and as far as Shop Direct could see, was managing her existing credit elsewhere without noticeable evidence of being at financial risk.

Miss J has also provided a breakdown of her typical monthly spending. Whilst I don't wish to dispute specific figures here or how they were reached, having considered these alongside our investigator's analysis, I'm broadly in agreement that at the time of the account opening

Miss J had on average committed expenditure each month of somewhere in the region of £2,700. That suggests she had at around £500-£550 of disposable income available and so the opening credit limit for both catalogue accounts (if used in full) looked to be affordable and capable of being repaid sustainably by Miss J.

I've seen that the amount of cash withdrawals are a particular 'sticking-point'. I've looked at these across a number of months and see they have fluctuated, no doubt depending on a number of factors. Miss J has helpfully told us what she was likely to have used some of these cash withdrawals for. Whilst not wishing in any way to suggest that these sums were not properly spent, this is not spending that would necessarily be visible to a business making additional checks.

I would add that the fact that she used her Shop Direct credit relatively conservatively and, whilst for the most part managed to make all her repayments on time, demonstrates that Miss J was being careful with her spending.

I've also kept in mind that Miss J was able to substantially decrease her reliance on credit elsewhere by 2017 – although it had increased again by 2018.

Finally, I'd like to address the issue of the buy now pay later purchases that Miss J made on both of the accounts. Following our investigator's initial uphold and award of interest and fees, Shop Direct came back to us with evidence showing that Miss J wouldn't have lost out because the purchases she'd made on this basis hadn't incurred any fees or interest. So the situation here is a bit different to normal account transactions because, although on the face of it Miss J had gone over the previous limit increase for each account, she hadn't lost out in terms of redress. That's because our financial redress is designed to put someone back in the position as if the failing had not happened. So here, whilst I agree that the credit limit increases were unreasonable, there wouldn't be any redress I'd be asking Shop Direct to pay, given that Miss J hasn't suffered any detriment as a result of the actions of Shop Direct.

To summarise, all of this means that, whilst I consider that a closer look at Miss J's financial situation by Shop Direct would have been warranted – and by the point of the credit limit increases in March and August 2018 there was a real risk the account could be becoming unaffordable – I can't say that she lost out because of it.

It follows that, in the specific circumstances of this complaint, I don't require Shop Direct to do anything more. I'm not persuaded that further enquiries into Miss J's circumstances would have led Shop Direct to conclude that it should have taken a course of action that was significantly different to what it did in relation to these two Very accounts.

I know that Miss J will be disappointed with my decision. But I would like to reassure her that I've carefully considered all the submissions she had made in this case. Having done so, however, I have not found sufficient evidence to ask Shop Direct to take any further action.

I've considered whether the relationship between Miss J and Shop Direct might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Shop Direct lent irresponsibly to Miss J or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 27 March 2025.

Michael Goldberg

**Ombudsman**