

The complaint

Mr M complains that Shop Direct Finance Company Limited trading as very (SDFCL) was irresponsible in its lending to him. He wants all interest and charges refunded along with statutory interest. He also wants compensation of £750 for the damage to his credit rating and the distress and inconvenience he has been caused.

Mr M is represented by a third party but for ease of reference I have referred to Mr M throughout this decision.

What happened

Mr M opened an account with SDFCL in February 2021 with an initial credit limit of £500. His credit limit was increased on two occasions to £650 in February 2022 and to £800 in October 2022.

Mr M says that at the time of the credit agreement being provided he had a poor credit score and several other debts on which he wasn't maintaining his payments. He said that he wasn't required to provide evidence of his income and expenses and that adequate checks weren't undertaken to assess whether the credit was affordable. He said he had struggled to make his repayments and had needed to borrow to meet his commitments causing him further stress. He referred his complaint to this service.

SDFCL issued a final response dated 10 October 2024. It said that adequate and proportionate checks were undertaken before the account was opened and credit limit increases applied. It didn't uphold this complaint.

Our investigator thought that SDFCL had carried out proportionate checks before providing the account and additional credit to Mr M. As he didn't find these checks suggested the lending to be unaffordable, he didn't uphold this complaint.

Mr M didn't agree with our investigator's view. He said adequate checks weren't carried out before the lending was provided and had they happened, SDFCL would have seen he was reliant on credit and struggling to maintain his existing commitments.

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.

Before the account was opened, SDFCL gathered information about Mr M's income and residential status and carried out a credit check. Mr M declared an annual gross income of £31,500 and said that he rented privately. The credit check reported no defaults or county court judgements and recorded his accounts as up to date. The credit check showed total unsecured debts of £944 and total credit limits of £1,250. I don't think that the credit check suggested that Mr M was overindebted or struggling to manage his existing credit commitments - and noting the size of the initial credit limit compared to Mr M's income - I find the checks undertaken before the account was opened were proportionate. As these didn't raise concerns about the credit being unaffordable for Mr M, I do not find that SDFCL was wrong to open this account.

Mr M's credit limit was increased to £650 in February 2022. This was around a year after he had opened the account. I have looked through the account information provided, and this showed that Mr M was managing the account without issue. He incurred no administration charges and was making the required monthly repayments. While Mr M did have other credit commitments at the time, he appeared to be managing these. Based on the information available and his account management, I do not find that I can say the additional credit should have been considered unaffordable or there were any other reasons why this shouldn't have been provided.

Mr M's credit limit was increased for a second time in October 2022, to £800. His account management in the months leading up to the increase raised no concerns with no administration charges being applied and Mr M making the required monthly repayments. Mr M had remained comfortably within his credit limit and cleared his account balance in August 2022. His external credit check didn't raise concerns. Given this, I have nothing to suggest he was struggling financially at the time or that this additional credit would be unaffordable for him. I note that following the increase in the credit limit to £800 Mr M remained well within his limit and cleared the account in February 2024.

For the reasons set out above, I do not find I can say that SDFCL was wrong to provide Mr M with the credit account or to increase his credit limit in February and October 2022.

I've also considered whether SDFCL acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with Mr M 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 SDFCL lent irresponsibly to Mr M 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.

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 M to accept or reject my decision before 14 April 2025.

Jane Archer
Ombudsman