

## **The complaint**

Miss C complains that Shop Direct Finance Company Limited trading as very (SDFCL) was irresponsible in its lending to her. She wants all interest and charges she has paid refunded along with statutory interest. She also wants any adverse information about the credit agreement removed from her credit file.

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

## **What happened**

Miss C was provided with a credit agreement by SDFCL in February 2015. The initial credit limit was £1,500 and this was increased on six occasions to a maximum credit limit of £4,500. Miss C didn't think that adequate checks were carried out before the credit was provided and said her credit limit was increased without her requesting this. She explained that she was only able to make the minimum payments and had to borrow from family and friends. She said she had substantial other debts at the time and fell into financial difficulties resulting in her entering a debt management plan.

SDFCL issued a final response to Miss C's complaint dated 14 October 2024. It explained that it provided Miss C with a running credit account through which she could purchase goods and services from Very and spread the cost. It said that proportionate checks were undertaken before the account was provided. It said that before the credit limit increases were applied it undertook an assessment of Miss C's account and noted that Miss C's outstanding balance didn't exceed the £4,000 credit limit. It also said that it reduced Miss C's credit limit when this was deemed appropriate.

SDFCL said that prior to February 2023, Miss C's account was well run. She then entered a period of sustained arrears, and it treated her positively and sympathetically during that period.

Miss C referred her complaint to this service. Our investigator noted that due to when the account was opened, and the early credit limit increases applied in 2015 and 2016, there was limited information available to show whether the checks carried out were proportionate. He requested copies of Miss C's bank statements from the time to see what proportionate checks would likely have shown but as these weren't supplied he said he didn't have the evidence to say the lending was irresponsible.

Our investigator considered the checks that were carried out before the credit limit was increased in February 2020, and didn't think he had seen enough to be able to say that the checks were proportionate. He therefore considered the other information available, including that contained in Miss C's bank statements to understand what proportionate checks would have identified. However, he didn't find that the checks would have shown the additional credit to be unaffordable. Therefore, he didn't uphold this complaint.

Miss C didn't agree with our investigator's view. She said she was making higher payments for her credit commitments that had been included in the calculations and that she had direct

debits returned on her account showing she was struggling financially.

Our investigator responded to Miss C's comments. He said he had considered the returned direct debits but noted that these had all been paid in full a few days later. He considered Miss C's spending on her account and noted the comments about her credit commitments but said that based on the income into Miss C's account and her monthly commitments, the credit provided by SDFCL appeared affordable. Therefore, he said his view hadn't changed.

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.

Miss C was provided with a SDFCL credit account in 2015 with a £1,500 credit limit. SDFCL has provided evidence of the credit check it undertook when Miss C applied for the account, but due to the time that has passed the information available is limited. The information that has been provided doesn't raise any significant concerns about how Miss C was managing her credit commitments at the time or that she was overindebted. While I cannot say whether the checks were proportionate based on available evidence, as Miss C has been unable to provide further details to show her financial circumstances at the time she, I do not find I have enough evidence to say the account shouldn't have been provided.

Miss C's credit limit was increased four times between the account being opened and October 2016. At which time the credit limit was £3,000. Miss C hasn't been able to provide copies of her bank statements for this period. While she has provided a copy of her credit report, this is from 2024 and so doesn't include the information available in and around 2016. Therefore, I have considered the account information that SDFCL has provided. This shows that up to October 2016, Miss C was managing her account well. Her opening and closing balances didn't exceed the initial credit limit she was provided with. Miss C did incur administration charges in April and May 2016 and her account went into arrears for a month. However, this was then brought up to date and her general payment pattern showed her making payments that were often above the minimum required. Therefore, based on the evidence I have seen, I do not find I can say SDFCL was wrong to provide the credit limit increases up to October 2016.

Miss C's credit limit was increased to £4,000 in February 2020. Her account management leading up to this increase showed that her opening and closing balances were comfortably within the credit limit and she didn't have any arrears on the account. Miss C did incur some administration charges and I can see she was generally making the minimum payments in the months leading up to the increase. While I do not find that this meant the increase shouldn't have been applied, I think it would have been reasonable to have carried out further checks to ensure the additional credit was affordable for her.

The credit check carried out by SDFCL at the time of the limit increase showed that Miss C had outstanding credit card debt and loans. Her credit card utilisation was around 54% and the information received didn't raise concerns about how she was managing her existing commitments. The credit report Miss C has provided has some information relating to this period, and this doesn't raise any concerns, with all her accounts being up to date.

Miss C has provided copies of her bank statements for the months leading up to the February 2020 credit limit increase. While SDFCL wasn't required to obtain copies of these I have used the information they contain to identify what proportionate checks would likely have shown. Miss C has noted that there were returned direct debits shown on the statements. I can see that this happened on three occasions and the required payments were then made a few days later. As SDFCL wasn't required to review Miss C's bank statements it would be unlikely that it would be aware of these. And as the payments were made within a few days they would be unlikely to have shown as missed payments on Miss C's credit file (and this is supported by the copy of the credit report Miss C has provided).

I have looked through the bank statements to assess the affordability of the credit limit increase. Miss C's statements show her receiving a monthly income of around £1,388. There were additional payments into and out of the account but as these weren't regular, I haven't included these. Based on the credit information provided by SDFCL and the additional information provided in Miss C's credit report and bank statements, Miss C was making payments towards her credit commitments (including credit cards, loans and overdraft charges) of around £590. While this was a substantial amount of her net income, I do not find that this alone meant that further credit shouldn't have been provided.

I have looked at the additional information in Miss C's bank statements and note she was making payments for water, insurances, and mobile/communications contracts as well as some regular bill payments. I note the additional information Miss C has provided but considering her regular income against her regular expenses, I do not find I have enough to say that this credit limit increase should have been considered unaffordable. I also note that based on the opening and closing balances on Miss C's account she only had a balance above the previous £3,000 credit limit on two occasions and these were for less than £3,100 suggesting that Miss C made limited use of the additional credit.

A further credit limit increase was applied to Miss C's account but as SDFCL has confirmed that Miss C's account didn't exceed the £4,000 credit limit I cannot say that the additional credit provided caused her any detriment. Therefore, I haven't considered this further.

Miss C's credit limit was decreased in September 2022 and then again May 2023.

Taking everything into account, in this case, I do not find that I have enough to say that the initial credit account and subsequent credit limit increases should have been considered irresponsible or that they have caused material disadvantage to Miss C. Therefore, I do not uphold this complaint.

I've also considered whether SDFCL acted unfairly or unreasonably in some other way given what Miss C has complained about, including whether its relationship with Miss C 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 Miss C or otherwise treated her 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 Miss C to accept or reject my decision before 24 April 2025.

Jane Archer  
**Ombudsman**