

Complaint

Mrs L has complained that Shop Direct Finance Company Limited (trading as “Very”) irresponsibly provided her with two catalogue shopping accounts and credit limit increases. She’s said that this credit was unaffordable for her and it resulted in her entering into a harmful pattern of repeat borrowing, which made what was an already poor position become worse.

Background

This complaint is about catalogue shopping accounts Very provided to Mrs L in April 2014 and February 2018.

The first account (“Account A”) was closed in September 2018 and the second account (“Account B”) was in arrears at the time of Mrs L’s complaint.

The accounts had the following credit limits at the following times:

Account A

April 2014 - £400
October 2014 - £650
February 2016 - £1,150.00
June 2016 - £1,900.00
September 2016 - £2,200.00
January 2017 - £2,500.00
May 2017 - £2,800.00
December 2017 - £3,200.00

Account B

March 2018 - £750
August 2018 - £1,250.00
December 2018 - £2,250.00
April 2020 - £2,650.00
October 2020 - £3,650.00

From what I’ve seen, Mrs L was never charged interest on balances above £2,500.00 on account A. Therefore, Mrs L did not lose out as a result of the sixth and seventh limit increases on this account.

In January 2023, Mrs L complained saying that both catalogue shopping accounts and the credit limit increases Very provided were unaffordable for her and that they resulted in her entering into a harmful pattern of repeat borrowing, which made what was an already poor position become worse.

Very didn't uphold Mrs L's complaint. When responding to our request for its file on Mrs L's complaint, Very said that it believed Mrs L had complained about account A too late and therefore this precluded us from considering matters relating to that account.

One of our investigators looked at everything provided and was not persuaded that proportionate checks would have shown Very that it shouldn't have provided Mrs L with either catalogue shopping account. So he didn't think that Mrs L's complaint should be upheld.

Mrs L disagreed with our investigator's conclusions and asked for an ombudsman to review her 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.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Very has argued that Mrs L's complaint was made too late because she complained more than six years after the decisions to provide account A and the associated credit limit increases as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret Mrs L's complaint as being one alleging that the relationship between her and Very was unfair to her as described in s140A of the Consumer Credit Act 1974 ("CCA"). She also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mrs L's complaint. Given the reasons for this, I'm satisfied that whether Mrs L's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mrs L's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mrs L has not only complained not about the respective decisions to lend but has also alleged that they resulted in her entering into a harmful pattern of repeat borrowing, which made what was an already poor position become worse.

I'm therefore satisfied that Mrs L's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between her and Very. I acknowledge Very may not agree we can look Mrs L's complaint about account A, but given the outcome I have reached, I do not consider it necessary for me to make any further comment, or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mrs L's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs L's complaint can be reasonably interpreted as being about the fairness of the lending relationship between her and Very, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Very) and the debtor (Mrs L), arising out of a credit

agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mrs L's complaint, I therefore need to think about whether Very's decision to initially lend to Mrs L and increase her credit limit, or its later actions resulted in the lending relationship between Mrs L and Very being unfair to Mrs L, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs L's relationship with Very is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mrs L's ability to repay in circumstances where doing so would have revealed the catalogue shopping accounts or limit increases to be unaffordable, or that it was irresponsible to lend. And if this was the case, Very didn't then remove the unfairness this created somehow.

Were the decisions to provide the catalogue shopping accounts and subsequent credit limit increase unfair?

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 Very needed to find out enough about Mrs L in order to have a fair understanding of whether she could afford to repay what she was being lent. Any checks carried out to find this out, 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. 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 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 Mrs L's complaint.

Very's decisions to provide Mrs L with account A and then increase the credit limit to £650

What's important to note is that Mrs L was provided with a revolving credit facility rather than a loan. This means that to start with Very was required to understand whether credit limits of £400 and £650 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that credit limits of £400 and £650 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

Very hasn't been able to provide any information on the checks that it carried out when providing account A or increasing the credit limit to £650. Given Mrs L closed account A in 2018, I don't think that Very had any reason to continue holding this information. Therefore, I don't think that it no longer having this information is unreasonable and I've not drawn any adverse conclusions as a result of Very not being able to provide the information on its checks.

In any event, I've not been provided with anything that indicates that Mrs L had any significant adverse information recorded against her at this stage. Given Very effectively mitigated the risk of harm by providing such a low credit limits to begin with and I've not seen anything to suggest that Mrs L could not repay £400 or £650 within a reasonable period of time, I cannot reasonably conclude that Very acted unfairly in providing Mrs L with account A or in deciding to increase her credit limit to £650.

Therefore, I find that Very didn't create any unfairness in its lending relationship with Mrs L when it initially opened her account and then increased her credit limit to £650.

The remaining decisions on account A and the decisions to provide account B as well as the associated limit increases on it

For the remaining limit increases, Mrs L was in the position where she'd have to repay anything between £1,150.00 and around £4,000.00 within a reasonable period of time. As Mrs L ended up being provided with limits of this much, I would have expected Very to have found out more about Mrs L's income and expenditure (including her regular living expenses and existing credit commitments) before providing these credit limit increases.

As there's no suggestion that Very did this on any of these occasions, at the very least, I don't think that the checks it carried out before it increased the amount of credit Mrs L could owe past £1,150.00, were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate such checks in order to get an indication of what they would more likely than not have shown.

However, while Mrs L has been able to provide us with us some information, she has not been able to provide us with everything that we've asked her for in order to be able to properly understand and assess what Very finding out more about her regular monthly living costs and existing credit commitments is likely to have shown at the respective times. The information she has provided shows there are funds moving between a number of accounts.

I do accept that there were some periods where Mrs L received less in income than others. However, I've not been provided with sufficient evidence to reasonably conclude that Mrs L clearly did not have the funds to be able to repay what she could owe and that the limit increases were as a matter of fact unaffordable for her. This is important because for reasons I'll explain later on, I don't think that Very ought reasonably to have realised that the limit increases were unsustainable for Mrs L either.

I appreciate that Mrs L may feel that it is unreasonable and unfair to expect her to provide information which she doesn't have and cannot reasonably be expected to have. But I also have to take into account that Very isn't required to have retained all of this information either and it was Mrs L that chose to make her complaint in December 2023. As this is the case, I have to decide the complaint on what I have before me.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence which corroborates what Mrs L has said about not being able to make the increased monthly payments required should she owe the full amount.

Indeed, I also have to consider that Mrs L managed account A well. She never used all of the credit made available to her – for example, Mrs L didn't use any of the credit granted as a result of the final two limit increases. Furthermore, Mrs L cleared account A in full in January 2018 by making a payment of over £2,400.00. This was far in excess of what she would have needed to repay even the highest credit limit she was granted on account B. Mrs L was also making repayments commensurate with repaying the balance within a reasonable period of time right up to the period she was granted the final limit increase on account B too.

Therefore, this isn't a case where I can reasonably say that the limit increases and Mrs L's account usage ought reasonably to have shown Very that Mrs L's indebtedness, on these accounts, was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Very to conclude that the facilities had become demonstrably unsustainable for Mrs L either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs L, I've not been persuaded that reasonable checks would have shown Very that it shouldn't have provided Mrs L with these accounts or the limit increases. Furthermore, I don't think that Mrs L's pattern of borrowing meant that Very offered the accounts or credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

Overall, and based on the available evidence I don't find that the lending relationship between Mrs L and Very was unfair to Mrs L. I've not been persuaded that Very created unfairness in its relationship with Mrs L by unfairly lending to her whether when initially agreeing to provide her with catalogue shopping accounts, or in respect of increasing her credit limit. And I don't find Very treated Mrs L unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Mrs L's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs L. 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 Mrs L to accept or reject my decision before 7 April 2025.

Jeshen Narayanan
Ombudsman