

The complaint

Mrs A complains Shop Direct Finance Company Limited trading as Very provided her with an unaffordable catalogue shopping account; and have charged unreasonable levels of interest on Buy Now Pay Later (BNPL) transactions.

What happened

Shop Direct provided Mrs A with a Very branded catalogue shopping account in November 2012. The table below provides details of the account:

Date	Lending Decision	Credit Limit
November 2012	Original limit	£1,000
March 2014	1 st limit increase	£1,200
October 2014	2 nd limit increase	£1,450
January 2015	3 rd limit increase	£1,950
May 2015	4 th limit increase	£2,200
January 2018	5 th limit increase	£2,700
<i>*April 2019</i>	<i>Limit decrease</i>	<i>£2,200</i>
December 2020	6 th limit increase	£2,500
August 2021	7 th limit increase	£2,800

Mrs A complained to Shop Direct in March 2023. She said had it completed proportionate checks before providing her with the credit limits it would have identified the lending wasn't sustainably affordable for her. Mrs A also complained about BNPL transactions being added to her account once the deferred periods had ended, and the level of interest accrued on these balances.

Shop Direct issued its final response letter in August 2023 in which it didn't uphold Mrs A's complaint. It said it considered it had completed reasonable checks when providing Mrs A with the original limit and limit increases. It therefore concluded it hadn't acted unfairly.

Unhappy with Shop Direct's response Mrs A referred her complaint to our service for review.

Our Investigator considered the details of Mrs A's complaint and didn't uphold it. She concluded Shop Direct had completed reasonable checks and made fair lending decisions.

The case was passed to an ombudsman colleague as Mrs A disagreed, and as part of their review they requested further evidence. Our investigator then went on to issue a second view after the further evidence was received. She came to the same non-uphold outcome but provided further details to support her conclusion. She also considered Mrs A's concerns regarding the BNPL transactions but didn't find Shop Direct had acted unreasonably. As such she didn't recommend Shop Direct needed to take any action.

Shop Direct accepted our investigator's view; Mrs A didn't. She maintained her position that better checks ought reasonably to have shown the original limit and limit increases weren't sustainably affordable for her. And that Shop Direct hadn't acted fairly when applying the BNPL transactions and interest to her account after the deferred periods had ended. She

considered the information within the agreement about BNPL transactions to be purposefully misleading, and suggested this is the case to benefit Shop Direct.

As an agreement couldn't be reached the complaint's been passed to me to decide.

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.

The information in this case is well known to Mrs A and Shop Direct, so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points and facts relevant to this complaint. I don't mean to be discourteous to Mrs A or Shop Direct by taking this approach, but this simply reflects the informal nature of our service.

I'm aware Mrs A is awaiting information from Shop Direct as part of a subject access request, which she feels will strengthen her complaint as is clear from her latest email dated 25 February 2025. However, I'm satisfied I have the necessary information available to me in order to reach a fair decision on this case.

I'd also like to acknowledge that I've seen Mrs A has referred other unaffordable lending complaints to our service, and received answers from us on those cases. While I'm aware of these other cases, my review and decision here focuses on the individual details and circumstances of this case.

I think it will be helpful for me to set out from the beginning that having considered all the relevant information and details I've reached the same outcome as our investigator, for broadly the same reasons. I appreciate this will be disappointing for Mrs A.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and I've seen our investigator made Mrs A and Shop Direct aware of this approach within her view.

Essentially Shop Direct needed to take reasonable steps to ensure the lending it provided Mrs A was responsibly lent. The relevant rules, regulations, and guidance changed during the time Shop Direct made its lending decisions, but generally it was required to carry out reasonable and proportionate checks. These checks needed to assess Mrs A's ability to afford the credit limit being provided and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower's individual circumstances.

I've split my findings below under different headings for ease.

The original credit limit and credit limit increases up to and including January 2015

Shop Direct has said before each lending event it considered and assessed a number of criteria. It has said this would have consisted of some or all of the following: an income check, a credit file check, and taking into account information it had available to it about the management of the existing facility.

For the opening limit of £1,000 Shop Direct has provided a copy of the credit check it obtained. This check showed no recent adverse information such as CCJs or missed payments to existing lending. It also showed Mrs A had a modest level of outstanding debt. This was Mrs A's first lending application with Shop Direct, and I don't consider the information it obtained showed any concerns that suggested more detailed checks were required.

For the checks completed for the limit increases in 2014 and January 2015 Shop Direct says it completed an income verification check and obtained details from a credit check. It also had Mrs A's management of the existing facility to consider.

The details it obtained don't appear to show any signs that ought to have caused Shop Direct concern. I say this because Mrs A was managing the account well across the period leading up to the lending events. There was no adverse information reported about her existing credit commitments, and although her total debt had increased slightly, it didn't appear to be at unreasonable levels. Shop Direct will also have reasonably taken comfort from the income verification checks it completed.

So, I'm satisfied its checks were reasonable and it went on to make fair lending decisions in 2014 and January 2015.

The limit increases to £2,200 in May 2015 and £2,700 in January 2018

Although Shop Direct further increased Mrs A's credit limit in May 2015 and January 2018, her balance never went above the previous agreed limit of £1,950 in January 2015 (which I've found above was fairly lent) before the limit was reduced in April 2019 and then further increased in December 2020.

As such, even if I were to investigate these events and find Shop Direct had made unfair lending decisions, Mrs A hasn't suffered a financial loss because of these increases, and there would therefore be no redress due. So, I've not considered these lending decisions for these reasons.

The limit increases to £2,500 in December 2020 and £2,800 in August 2021

Shop Direct verified Mrs A's income, reviewed her account management and completed a credit check when providing Mrs A with these limit increases. Shop Direct has said its checks were proportionate and showed no concerns, and that it made fair lending decisions.

I've carefully considered Shop Direct's argument, but I'm not persuaded its checks were proportionate for these limit increases.

I say this because the limits it was now providing Mrs A were for relatively sizeable values. The credit check it completed in December 2020 showed a significant rise in Mrs A's total outstanding debt, which stood at around £15,000 based on the information it obtained from two credit reference agencies. I consider this increase in outstanding debt, together with the value of the new limits Mrs A was being provided, warranted more detailed checks.

Mrs A has provided us with her bank statements covering three months leading up to each of these lending decisions. In the absence of any other conflicting information, I consider reviewing the bank statements enables me to reasonably understand what information Shop Direct would likely have obtained at the time of these lending events, had it completed more detailed checks.

In the months leading up to December 2020 Mrs A's income and regular credits into her account, including benefits, a payment from a council, and from an individual averages around £2,850.

Mrs A's non-discretionary expenditure including rent, insurances, general household bills and utilities, and transactions for food and what appears to be petrol station spending, as well as payments to existing creditors are evident within these statements. On average over the three months leading up to December 2020 these total around £2,250.

So, had Shop Direct completed more detailed checks I consider it would reasonably have reached the same decision to lend, as the information I have suggests Mrs A was left with a reasonable level of disposable income each month to maintain this additional borrowing.

The same is true for the limit increase in August 2021. In the three months leading up to this limit increase Mrs A's income and regular credits averaged around £2,850. And her evidenced payments to non-discretionary expenditure as I've set out above and existing creditors averaged around £2,350.

So, I consider more detailed checks would have again led Shop Direct to reasonably conclude that the limit increase was sustainably affordable for Mrs A, based on the disposable income it would reasonably have calculated.

It therefore follows I'm satisfied Shop Direct made fair lending decisions when providing Mrs A with these limit increases.

Interest charges on BNPL transactions after the deferred period ended

Mrs A has said Shop Direct has unreasonably added high levels of interest to her account balance once the deferred period (the interest free period) for BNPL transactions ended. And that these transactions continued to accrue interest.

I've reviewed the credit agreement Mrs A electronically signed in 2012 which indicated her acceptance of the relevant terms and conditions of the credit facility.

Section 12, and specifically section 12.3, provides details about the relevant terms and conditions for BNPL transactions. This section is on page one of the credit agreement and sets out how BNPL transactions will be dealt with after the deferred period ends. I consider this information was clearly set out to Mrs A within the agreement she signed.

I've reviewed the evidence Shop Direct has provided this service, which includes details of the BNPL transactions and when these transactions ended and were added to Mrs A's account balance. I've not seen anything which suggests to me the BNPL transactions were unfairly applied to the account balance once the deferred periods ended, or that interest was unfairly added, outside of the terms and conditions of the agreement.

It therefore follows I don't conclude Shop Direct has acted unreasonably in this part of Mrs A's complaint.

Did Shop Direct act unfairly or unreasonably in any other way?

I've considered whether Shop Direct has acted unfairly or unreasonably in any other way, including whether the relationship 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 Mrs A, 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.

So, taking all the above into account I don't consider Shop Direct has acted unfairly in the details of Mrs A's complaint, and it therefore follows it doesn't need to take any further action in resolution of the complaint.

My final decision

My final decision is that I'm not upholding Mrs A's complaint about Shop Direct Finance Company Limited trading as Very.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 11 April 2025.

Richard Turner
Ombudsman