

The complaint

Mr G complains that Shop Direct Finance Company Limited trading as very (SDFCL) was irresponsible in its lending to him. He wants all interest and charges paid on his account refunded along with statutory interest.

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

What happened

Mr G was provided with a SDFCL account in December 2018 with an initial credit limit of £600. The credit limit was increased on four occasions and reduced twice. The maximum credit limit was £3,280. Mr G doesn't think that adequate checks were undertaken before the credit was provided and explained that the limit increases happened without him requesting these. He said that he had other debts at the time and has had to borrow more to meet his repayments. Mr G said this lending has made his financial situation worse.

SDFCL issued a final response to Mr G's complaint dated 27 July 2024. It explained that when Mr G applied for a credit account with SDFCL it carried out proportionate checks based on the information Mr G had provided along with data from the credit reference agencies. It said this supported the account being opened with the initial £600 credit limit. It said that before the credit limit increases were applied it carried out an assessment of Mr G's account. It didn't accept the lending was irresponsible and noted that Mr G's account balance hadn't exceeded the £2,280 credit limit.

Mr G referred his complaint to this service.

Our investigator noted SDFCL's comment that Mr G's account balance hadn't exceeded the £2,280 credit limit and so she didn't consider the credit limit applied after this. She assessed the checks carried out before the account was opened and the other credit limit increases applied and thought these were proportionate to the credit being provided. She then considered the information received through the checks and as she didn't think this suggested the lending to be unaffordable or irresponsible for any other reasons, she didn't uphold this complaint.

Mr G didn't agree with our investigator's view. He said that prior to the credit limit increase in December 2019, he had already taken out a large amount of debt, and that he took out even more debt before the May 2023 limit increase. He thought this should have raised concerns that the lending wasn't responsible and said his high level of debt should have meant that further checks took place. He believed that had these happened, SDFCL would have realised he couldn't afford the additional credit. Mr G said that he was trapped in a cycle of debt.

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.

Mr G was provided with a SDFCL credit account in December 2018 with an initial credit limit of £600. The credit limit was increased as set out below.

- July 2019 – credit limit increase to £900
- December 2019 – credit limit increase to £1,500
- May 2023 – credit limit increase to £2,280
- October 2023 - credit limit increase to £3,280

As SDFCL has confirmed that Mr G's account balance didn't exceed the £2,280 credit limit, I cannot say he was caused any disadvantage by being provided with the additional limit increase in October 2023. Therefore, I haven't considered the final credit limit increase and have focused this decision on the lending decisions made when the account was opened and the three subsequent limit increases.

Account opening – December 2018

Before the account was opened, SDFCL gathered information about Mr G's employment, income and residential status and carried out a credit check. Mr G declared that he was self-employed with an annual income of £42,500 and that he rented privately. His credit check didn't record any defaults or recent issues with how Mr G was managing his accounts.

Based on the size of the credit limit being provided and the payments this would require compared to Mr G's declared income and noting that his credit check didn't raise concerns about how he was managing his existing commitments, I find the checks carried out before the account was provided were proportionate.

Having looked through the data collected, while this did show that Mr G had other outstanding credit commitments at the time, considering the payments that were identified for these, I do not find that these were such that the initial credit limit should have been considered as unaffordable.

Credit limit increase July 2019

In the months between the account being opened and the credit limit increase taking place, Mr G had generally managed his account well. An administration charge was applied in January 2019, but no other charges were recorded in the months leading up to the increase. Mr G's account balance was within the initial credit limit, and he was making monthly

payments above the minimum required. Therefore, I do not find that Mr G's account management raised concerns that Mr G might be struggling financially.

SDFCL gathered data about Mr G's other external credit commitments. Information was received from two credit reference agencies, and this showed that Mr G had outstanding credit commitments of around £13,000. This was made up of credit card debt and loans. The credit data didn't raise any concerns about how Mr G was managing his commitments, with no adverse data recorded. Considering the repayments that were identified for these commitments, compared to Mr G's income (based on his application around six months earlier), I do not find I have enough to say that the additional credit should have been considered unaffordable.

Credit limit increase December 2019

In the months between the July 2019 limit increase and this second limit increase, Mr G had managed his account well. No administration charges had been applied during this period and Mr G was operating his account within the credit limit. Mr G was making his monthly payments and several of these were above the minimum required. Therefore, I do not find that Mr G's account management raised concerns that he might be struggling financially.

SDFCL gathered data about Mr G's other external credit commitments. The information received from the credit reference agencies showed that Mr G's credit card balances had increased to around £4,000 but his outstanding loans had decreased to around £7,500. So, overall, Mr G's outstanding credit commitments hadn't changed substantially since July 2019, and he appeared to be managing these without issue. Considering the repayments that were identified for these commitments, along with the repayments for the SDFCL credit, compared to Mr G's income (based on his application around a year earlier), I do not find I have enough to say that the additional credit should have been considered unaffordable.

Credit limit increase May 2023

In the months leading up to the May 2023 credit limit Mr G had managed his account well. No administration charges had been applied and Mr G was operating his account within the credit limit. Mr G was making his monthly payments and while these had been for the minimum amount in the months immediately preceding the credit limit increase, he had almost cleared the account a few months earlier. Taking this all into account, I do not find that Mr G's account management raised concerns that Mr G might be struggling financially.

Given the time that had passed since the account was opened, I think it would have been reasonable for SDFCL to have checked Mr G's income to ensure that this could support the additional credit. I have looked through Mr G's banks statements for the months leading up to this credit limit increase and these show an average income of around £4,290. This is an increase from Mr G's declared income from when the account was opened.

Mr G's credit check at the time showed that he had increased his credit card accounts and his total outstanding balances had increased to around £6,285. His amount outstanding on loans had also increased to around £16,000. While I think this needed to be taken into account, I do not find that this increase alone meant further credit shouldn't have been provided. I have however, considered the repayments Mr G was making towards his credit commitments along with the cost of the additional SDFCL credit, and comparing this to his income, I do not find I have enough to say that this should have been considered unaffordable.

In conclusion, I do not find that SDFCL was wrong to provide Mr G with a credit account or the credit limit increases. Therefore, I am not upholding this complaint.

I've also considered whether SDFCL acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether its relationship with Mr G might have been viewed as unfair by a court 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 G 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 G to accept or reject my decision before 28 April 2025.

Jane Archer
Ombudsman