

The complaint

Ms S, through her representative, complains that Shop Direct Finance Company Limited (“SDFC”) lent to her irresponsibly when it approved three store cards for her with credit limits. Two of those cards had credit limit increases and Ms S complains about those lending decisions as well. Her representative has described the relationship between Ms S and SDFC as unfair.

What happened

Here is a table to give a brief outline of the three cards/accounts Ms S had with SDFC.

Card/account	Opened	Credit limit	Increases	status
Very #1	October 2013	£250	£500 January 2014	Defaulted Sold third party August 2014
Littlewoods	20 August 2021	£500	£1,000 March 2022 £1,500 September 2022	open
Very #2	Credit part February 2023	£750	n/a	open

After Ms S had complained in March 2024, SDFC sent its final response letter (FRL) in which it said:

- the Very #1 account was outside our jurisdiction and gave reasons why it considered that was the case.
- the Littlewoods account was open and had no arrears.
- the Very #2 account opened as a ‘*payment on purchase*’ account soon after the Very #1 card was sold to a debt purchaser and then Ms S successfully applied for it to have a credit element in February 2023. It was open and had no arrears.

One of our investigators looked at two elements – the jurisdiction of the Very #1 account and the merits for the other two accounts.

Our investigator considered that the Very #1 account was outside our jurisdiction and so the initial account application and the credit limit increase in January 2014 were not lending decisions the Financial Ombudsman could investigate.

Our investigator reviewed all that SDFC had done before approving the other two accounts and thought that Ms S’ financial position was good enough to have been able to afford them.

Ms S disagreed.

She did not stipulate what she disagreed with and so I addressed both the jurisdiction and the merits elements in one decision. On 28 April 2025 I chose to issue a provisional decision, clarifying the jurisdiction part and giving reasons why I considered that the complaint ought not to be upheld for the accounts we could look at. This is duplicated here for ease of reading.

What I provisionally decided on 28 April 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Jurisdiction surrounding the Very #1 account

When looking at a complaint, the time limits I must consider and which I must apply are those set out in DISP 2 of the Financial Conduct Authority ("FCA") Handbook and part of DISP 2.8.2R is duplicated here for ease of reading:

*"The Ombudsman cannot consider a complaint if the complainant refers it to the Financial Ombudsman Service: (1) [not relevant to this complaint]; or (2) more than:
(a) six years after the event complained of; or (if later)
(b) three years from the date on which the complainant became aware (or ought reasonably to have become aware) that he had cause for complaint;..."*

The new credit account approvals and the credit limit increases in 2021 and 2023 were SDFC lending decisions that we can investigate as they were within six years of the complaint date – 22 March 2024. This decision confirms this.

I do not think that the parties dispute that the complaint about the Very #1 account was brought more than six years after those two events complained about – the first account approval in 2013 and the credit limit increase in January 2014.

And so these SDFC lending decisions are out of time applying the six years rule. What I have done is to look to see if the 'three years' rule makes a difference here and whether I think that Ms S ought reasonably to have become aware sooner than she said she did that she had a cause for complaint. By '*had a cause for complaint*' I mean that Ms S had awareness, or ought reasonably to have become aware, that

- there was a problem,
- that she had suffered loss and
- that SDFC may have been to blame or partially to blame.

A complainant doesn't have to know that something has definitely gone wrong. They just ought reasonably to have been aware of a cause for complaint for the time limits to start.

SDFC has sent to us spreadsheet records which demonstrate that soon after the credit limit increase from £250 to £500 in January 2014 Ms S stopped paying towards the account and quickly got into arrears. So, I think that Ms S likely would have connected the two – the increase in the credit limit, her use of that credit and then the difficulty paying. The balance got to £515 a couple of months after the credit limit increase and then to £640 so it was well over the £500 new limit. Her minimum repayments went from £14 a month in late 2013 to around £117 a month in April 2014 and quickly even higher than that. Ms S paid nothing towards the account from around the time of that credit limit increase in January 2014.

After that SDFC has explained that the account was defaulted and then sold to a third party around August 2014. All of these events would have been notified to Ms S and she would have appreciated that she was unable to afford the card. In fact, her complaint is about that.

And an additional element occurred which I think a reasonable person in Ms S' circumstances would have recognised as being linked with credit approval. That element was this - within a short time of the Very #1 account debt being sold to a third party due to arrears and non-payment, Ms S had a new account with Very but it did not allow her to have any credit attached to that account. It was a '*full payment with order*' account opened in September 2014.

I consider that an objective review of Ms S' circumstances in 2013/2014 or in the years that followed during her interaction with SDFC, would have led a reasonable person to think that she ought reasonably to have become aware of her cause for complaint against SDFC earlier than she did.

And even if I choose the date for the three years to run from August 2014 – which was when the account was sold - still the complaint made in 2024 was made too late for the 2013 and 2014 SDFC lending decisions.

I could use my discretion to allow the investigation to proceed for those 2013 and 2014 lending decisions, if the failure to comply with the time limits was because of '*exceptional circumstances*'. The FCA has set a high bar for what these circumstances might be – '*...where the complainant has been or is incapacitated.*'

Ms S has provided nothing in relation to the reasons for the delay or anything that might amount to 'exceptional circumstances' within the meaning of the FCA's guidance. So, I have not exercised my discretion here.

In the circumstances I agree with our investigator that the lending decisions about the Very #1 account are out of jurisdiction.

Unfair relationship

Finally, I've thought about whether considering this complaint more broadly as a complaint about an unfair relationship would mean we could consider it. Having done so, I don't think we can.

In the context of this complaint, the law relating to unfair relationships is set out in Section 140A of the Consumer Credit Act 1974 (Section 140A). It says a Court may make an order under Section 140A if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140C defines the creditor as "*the person to whom his rights and duties under the agreement have passed by assignment or operation of law.*"

So, where a debt has been sold, it follows that the debt purchaser is now the creditor for the purposes of the credit agreement. So, a claim about an unfair relationship cannot be brought by Ms S against the original lender – SDFC - as it is no longer the creditor for the Very#1 account.

My decision is that we cannot look at those parts of Ms S' complaint about that first account opened in 2013 or the credit limit increase in 2014 – the Very #1 account.

I proceeded to consider the merits of the other accounts.

Littlewoods account opened 20 August 2021

In August 2021, SDFC has sent to me the records surrounding Ms S' application for the Littlewoods credit account. Her salary before tax was declared and looks to have been verified as £12,500. It knew Ms S rented, and had a partner who earned as well.

SDFC had carried out a credit search and that showed it that her overall debt was £7,650 of which £2,462 was unsecured debt. That indicated that Ms S had about £5,000 of revolving

debt (including credit card and store card credit). Minimum repayments – roughly – for that debt likely would have been around £150 each month using 3%. I do not know what the unsecured debt payments for the £2,462 was costing Ms S each month. But SDFC was aware of it. And the other elements of the credit search show that she was up to date with all her accounts.

In my view there was nothing to suggest to SDFC that it needed to carry out further checks before approving a relatively low level of credit for the Littlewoods account. I do not plan to uphold the complaint about the initial approval of that account.

Littlewoods account credit limit increases March 2022 and September 2022

SDFC in the FRL said '*You received periodic credit limit increases after your account was approved, and at the point of each credit limit increase an assessment of your account was undertaken.*'

We have received details of the account transactions including the payment patterns by Ms S for the Littlewoods accounts. Having reviewed that Ms S did not use the card much and paid it off regularly. At the time the limit was increased in March 2022 Ms S' outstanding balance was well below the existing credit limit of £500. And so I do not consider that any further checks by SDFC were required.

The management of the account leading up to the September 2022 increase from £1,000 to £1,500 was much the same. Ms S did not use it a lot and when she did she paid the required amount. By August 2022 the outstanding balance was well below the £1,000 credit limit at that time. There were no arrears. It was June 2023 that Ms S appeared to start using the card more than she had before. And the records I have go up to August 2024 and no arrears were recorded.

I do not plan to uphold the complaint about the two credit limit increases for the Littlewoods cards.

The application for the Very#2 card

SDFC has told us that this application or the '*full payment with order*' account become a credit account in February 2023.

Ms S had told it that her salary before tax was £14,501 and it looks to have been verified. Her partner also earned.

As well as reviewing the existing Littlewoods credit account, for which SDFC would have seen that it was being well managed in the lead up to February 2023, it also carried out a credit search in February 2023 for the new account application. I have reviewed those results. Ms S' total live credit figure had increased to £11,530 of which two were fixed term loans the total for both of which were £8,862. It knew that her total unsecured debt was £9,246 which might suggest that Ms S had an overdraft. Ms S had one secured loan/mortgage but SDFC also had information Ms S was renting.

The credit search indicated that her accounts were being well managed and that her total monthly repayments were £174. Which I do not consider was the full extent of the repayments across all of her debt. A quick and rough calculation of 3% across a debt value of £11,530 comes to £346 each month.

Ms S' debt had increased a lot since the application for the Littlewoods account about which SDFC would have known.

So I consider that a further check ought to have been carried out and one way to do that would be to have asked Ms S for further information about her financial situation. This may have involved her supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which she was liable. A convenient method, one of

several available, was to have reviewed copies of Ms S' bank account statements which usually show a wider picture of her finances and how she was managing her money.

So I have reviewed the bank transactions lists supplied to us by her representative with helpful colour coded highlights depicting income, outgoings, cash withdrawals and other kinds of transactions. I reviewed it for January 2023.

Having done that I have decided that if SDFC had assessed Ms S' financial position at that time it would have recognised that Ms S was able to afford a further account with it with a £750 limit. I say that because her bank account was always in credit, and Ms S' income was around £870 (after tax) for that month plus around £210 from the Department of Work and Pensions.

Ms S was paying £147.58 each month to a personal loan and paying to other store accounts. Ms S was making payments to gas, power company, insurances and a telephone. These are the usual sort of household bills accounts I'd expect to see. And there were payments from a third party with the same surname as Ms S being paid into the account marked 'bills' and so I gather from that, Ms S' partner likely contributed towards these household bills.

Although I have seen that Ms S had around five debt management plan payments to make ranging from £1 to £3 each month, I have seen also that Ms S transferred in around £4,600 from another account ending *9049 and a large part of that was taken out as cash. I've not had sight of that other account. But Ms S also transfers to that account what are labelled as 'round ups' which does indicate to me that other account is a savings account.

So I plan not to uphold the complaint about the Very#2 card. I will review the account in two weeks. If Ms S disagrees with my provisional decision then I invite her to send to me further details of the other account ending *9049 for the periods relating to this complaint for the credit accounts approved in 2021 and 2023.

I've also considered whether SDFC acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Ms S 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.

This is the end of the duplicated provisional 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.

SDFC responded to say that it agreed with my provisional decision and had nothing further to add.

Ms S' representative replied to say:

We would like to kindly request an extension on the deadline for submitting any additional information before the Final Decision is made. We are currently awaiting our clients' instructions and wish to ensure that we have adequate time to gather any further relevant information or evidence they may wish to provide.

The initial reply deadline of 12 May 2025 has been extended twice to 22 May 2025 to accommodate Ms S. I have heard nothing further from Ms S.

In the circumstances, having no reason to alter my findings, I repeat what I said in my provisional decision here both in respect of jurisdiction and the merits. For those reasons I do not uphold the complaint.

I've also considered whether SDFC acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Ms S 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 in relation to the merits is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 20 June 2025.

Rachael Williams
Ombudsman