

The complaint

Mrs M complains Shop Direct Finance Company trading as Very (Shop Direct) didn't properly check whether she could sustain the repayments when they agreed to her opening a running credit account, and subsequent credit limit increases.

In bringing her complaint Mrs M is represented by a third party. For ease of reading I will only refer to Mrs M in my decision.

What happened

In February 2013 Mrs M applied for a catalogue account with Shop Direct. Her application was successful and Shop Direct applied a credit limit of £1,500. Shop Direct increased Mrs M's credit limit further in July 2014 to £1,750, October 2014 to £2,000, February 2015 to £2,250 and in February 2016 to £2,500. Mrs M said she struggled to sustain the repayments and her account was sold for debt collection in May 2022. Mrs M complained to Shop Direct saying they hadn't sufficiently checked whether she could afford the amounts lent to her.

Shop Direct said their checks were proportionate and reasonable. They said they'd carried out similar checks each time they'd lent further to Mrs M. And based on these checks their decision to lend to Mrs M had been fair.

Mrs M wasn't happy with Shop Direct's response and referred her complaint to us.

Mrs M brought her complaint outside of the timescales for doing so, but Shop Direct has consented to us considering her complaint. As Shop Direct weren't able to provide sufficient details about the checks they'd done our investigator couldn't say their checks had been proportionate. But based on the limited information provided by both parties he couldn't say Shop Direct had acted unfairly in lending to Mrs M.

Mrs M didn't agree, she said she'd shown she was already in financial difficulty when Shop Direct agreed to lend to her. She asked for her complaint to be referred to an ombudsman 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.

When the evidence is incomplete, inconclusive, or contradictory, I'll based my decision on what's most likely to be the case given the available evidence and the wider circumstances. And as Mrs M's application and all but one of her subsequent credit limit increases happened more than a decade ago the evidence is inevitably incomplete. I appreciate this will be a disappointment for Mrs M but having done so I'm not upholding her complaint. I'll explain why.

In considering this complaint I've paid due regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice. It's important that I don't hold Shop Direct to the standards that apply today, and which didn't apply at the time of Mrs M's applications and subsequent credit limit increases.

Before April 2014 the relevant regulator was the Office of Fair Trading (OFT). The OFT required lenders to complete a "borrower-focused" assessment of affordability, to see if the prospective borrower could afford to repay the lending in a sustainable manner. So a lender needed to consider the impact of any credit payments on the borrower and not just the likelihood of getting their money back.

There isn't a set list of checks a lender needs to complete. But the checks Shop Direct did should have been proportionate to the circumstances of each lending decision – which might include considerations about the amount borrowed and the prospective borrower's borrowing history. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

What's important to note is that Mrs M was provided with a revolving credit facility rather than a loan. And this means that Shop Direct was required to understand whether the credit could be repaid within a reasonable period, rather than in one go.

I don't draw any adverse conclusions from Shop Direct's inability to provide me with the results of their checks, this is to be expected given the time that has passed. But without that information it would be difficult to fairly conclude that the checks they did were proportionate. So I've considered the available evidence.

Initial account opening

Shop Direct said they'd used data from Mrs M's application as well as a credit check. From this they hadn't seen any signs of financial vulnerability as Mrs M didn't have any recent county court judgments (CCJ's), hadn't defaulted on any of her credit commitments. And hadn't missed any of her credit commitment repayments. I've considered the information they've been able to provide to us. From this I can see Mrs M had five active accounts that were being managed well as they were all up to date.

Mrs M has provided some bank statements for around the time of the lending. I can see that monies were being paid in around £250 to £290 a month, including from accounts *5768, *0160 and *7468 which I can see from later bank statements are also bank accounts held by Mrs M. There are some regular commitments paid out by direct debit for around £280 a month. There weren't any unpaid direct debits or any overdraft usage. But having considered the bank statements provided I don't think they're reflective of Mrs M's financial situation as they don't show all her credit commitments or other spending for items such as food, housing, utilities and other non-discretionary spending. I can see Mrs M had at least three other bank accounts around the time of the lending that she was able to transfer money from to cover her outgoings from this account but Mrs M hasn't provided details of these accounts to us.

The running credit account was opened with an initial credit limit of £1,500. As outlined above Shop Direct needed to assess whether Mrs M could repay this, with the assumption she fully utilised her credit limit to repay this within a reasonable period I'd consider Mrs M would have needed to pay around £75 a month. On the evidence I've seen I've no reason to think this wasn't sustainable for Mrs M as she was up to date with her credit commitments, and had access to funds from several other bank accounts that she used to help manage any payments she needed to make.

Mrs M has provided further bank details for one of her accounts but as these are dated sometime after the last credit limit increase was applied they don't provide evidence that can be used to assess her affordability at the time of the lending. On the relevant evidence that's been provided I can't know what more detailed affordability checks would likely have revealed. So I can't fairly say that Shop Direct's lending decisions were unfair or unreasonable.

Subsequent credit limit increases

I've applied the relevant guidance which after April 2014 was the Consumer Credit Sourcebook (CONC). This said the lender needed to complete a "credit worthiness assessment", considering the potential for the lending commitment to "adversely impact the consumer's financial situation". And the assessment should be dependent on, and proportionate to, a number of factors – including the amount and cost of the credit and the consumer's borrowing history.

Again given the passage of time Shop Direct couldn't provide precise details of their checks. So without that information it would be difficult to fairly conclude that the checks they did were proportionate. So I've again considered the available evidence.

Shop Direct said they checked Mrs M's credit history for each of the subsequent credit limits. From the details Shop Direct has provided this again shows Mrs M was up to date with her credit commitments and I haven't seen any signs from this check of financial vulnerability.

Shop Direct also had internal data that showed how Mrs M was managing her account with them. I can see from this that Mrs M consistently paid more than the minimum payment required each month. And at times paid her outstanding balance in full. I haven't seen any evidence of missed payments or over the limit fees being applied to the account up to and including the last credit limit increase in February 2016.

Mrs M has provided bank statements for the same bank account covering each of the credit limit increases. These again show a few regular direct debits leaving the account and I can see the occasional other transaction, but also money being paid in from Mrs M's other accounts to ensure the transactions and direct debits were paid. So, I don't have sufficient information to say that Shop Direct acted unfairly when they increased Mrs M's credit limit each time up to and including £2,500. I say this as based on the evidence that's been provided I can't know what more detailed affordability checks would likely have revealed. And given Mrs M was managing her account with Shop Direct well with no signs that she was struggling to sustain her repayments, I can't fairly say that Shop Direct's lending decisions were unfair or unreasonable.

Further, the bank statements Mrs M has shared indicate she had access to other monies that meant she most likely could maintain her payments so I can't say Shop Direct by lending to her caused her any loss.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. But for the reasons I've already given, I don't think Shop

Direct lent irresponsibly to Mrs M or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 14 July 2025.

Anne Scarr
Ombudsman