

The complaint

Mr N says Shop Direct Finance Company Limited ('Shop Direct'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards the credit.

What happened

This complaint is about a running credit agreement that Mr N took out in December 2021. This was an account where he could borrow to make purchases from certain retailers, and it also had a buy now pay later facility. The initial credit limit was £250. This was increased to £1,250 in March 2022 and then to £2,250 in July 2022.

Mr N complained to Shop Direct saying that it had irresponsibly lent to him. Shop Direct considered this complaint, and it didn't uphold it. It thought it'd conducted appropriate and proportionate checks which showed that Mr N could afford the lending. Mr N didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr N's complaint. Whilst there was limited information available, they agreed it didn't show that Shop Direct had made proportionate checks, but that better checks would have shown the loan was affordable.

Mr N didn't agree with the Investigator. He said it was acknowledged that his income may not have been verified at the time of sale, the increases to the credit limit happened too quickly and greatly increased the amount of credit he had. He said his income should not be looked at in isolation as this doesn't, on its own, show the lending was sustainable. He still thought the lending was irresponsible and the relationship between himself and Shop Direct was unfair.

Because Mr N didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Shop Direct complete reasonable and proportionate checks to satisfy itself that Mr N would be able to repay the credit in a sustainable way?
 - a. if so, did Shop Direct make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr N could sustainably repay the borrowing?
2. Did Shop Direct act unfairly or unreasonably in some other way?

And, if I determine that Shop Direct didn't act fairly and reasonably when considering Mr N's application, I'll also consider what I think is a fair way to put things right.

Did Shop Direct complete reasonable and proportionate checks to satisfy itself that Mr N would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Shop Direct has explained that it would have asked Mr N some information about his circumstances. And it would have cross referenced this information with the data a credit reference agency held about him. This credit reference agency information, and income verification tools, would have informed Shop Direct whether the amount he has supplied was accurate and given it information about his other credit, and his repayment history to this.

But Shop direct has been unable to provide much of the information it obtained about Mr N before lending. On the one hand it's likely that Shop Direct did make the checks it said it did, I can't see why it would lend without making any checks, particularly when it has a system for doing this that I know about. But I can't be certain of what it considered before lending. So, I can't be satisfied that any checks it did do were reasonable and proportionate.

Would reasonable and proportionate checks have shown that Mr N would be able to repay the credit in a sustainable way?

I've gone on to consider what Shop Direct would likely have found had reasonable and proportionate checks been carried out.

Mr N has provided copies of his bank statements for a substantial period of time over the lending. While I wouldn't have expected Shop Direct to have asked Mr N for copies of these, I'm satisfied that these statements would give a good indication of what Shop Direct would likely have taken into consideration had it asked Mr N to verify, or provide more information about, his income and committed expenditure during that specific period.

It's established from these that Mr N received around £3,000 a month as income. And there are no signs from the bank account information that Mr N was struggling to repay his regular expenses, or any other credit that he may have. I think for the initial credit approval, which was for £250. It would have been enough to have obtained reasonably accurate income data and checked that he was not in financial difficulty.

Given what Mr N has supplied I think a proportionate check would've shown that Mr N was likely able to afford what would be very modest repayments to this new credit. And so, I think it's likely the decision to start the account was not irresponsible.

Turning now to the credit limit increases. Whilst the credit limit was increased I still think the overall amount of credit that was approved was modest. This is because when compared to Mr N's income the monthly payments he would make would only ever be a small proportion of this.

Again, looking at Mr N's banks statements, I can see his income remained at the same level and they don't show any kind of financial difficulty. This is what I think Shop Direct would have seen if it could show it had made proportionate checks, and this again indicates the account was likely to be affordable for Mr N.

Added to this Shop Direct has provided the account information from the time the account was started. I think it's reasonable to say it was well managed. Mr N usually borrowed a modest amount, and the repayments are made on time and are often greater than the minimum he needed to repay. I can see that he paid the full balance in 2023. There are also no signs that he was in financial difficulty from the way the account was managed. So, overall, I don't think the account limit increases were irresponsibly lent.

And it's worth noting that the majority of Mr N's complaint is that the checks Shop Direct made were not proportionate. But he's not said why he couldn't afford to repay the lending, or that he was otherwise in financial difficulty. And as I've said, the information I have showed its likely he could afford the lending.

So, and while I appreciate this will come as a disappointment to Mr N, I'm satisfied that, had Shop Direct carried out reasonable and proportionate checks, I think that it's likely that would have found the finance to be sustainably affordable.

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

I have considered 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 it lent irresponsibly to Mr N 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.

I haven't seen anything to make me think Shop Direct acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 15 January 2026.

Andy Burlinson
Ombudsman