

The complaint

Mr B complains that Shop Direct Finance Company Limited trading as “Very” provided him with a catalogue account and increased his limit irresponsibly.

What happened

Very provided Mr B with a catalogue account in December 2021 with a limit of £250. It increased his limit to:

- £400 in June 2022
- £475 in August 2022
- £575 in October 2022

I understand the account has now been defaulted and sold to a debt collection agency.

Mr B complained to Very. He said Very lent to him irresponsibly and said, in summary:

- His credit score was very low; he said he had active debt accounts with missed payments.
- Moreover, he’d just exited a Debt Relief Order (“DRO”) which had included a debt owed to Very, that had been written off as part of that DRO. Because of this, he said Very should never have lent to him again.
- The limit was increased to unaffordable levels.
- Very should have checked his income and outgoings as he was gambling and had no money left in his account – and he was in financial difficulty.

In its final response letter, Very didn’t uphold Mr B’s complaint. In summary, it said it carried out proportionate checks, and it wasn’t wrong for it to have provided the account nor increase Mr B’s credit limit. Mr B didn’t agree and so he referred his complaint to our service.

Our Investigator didn’t uphold the complaint. In summary, they said Very should have carried out more checks before providing the account, but even if it had done so, it still would have been reasonable for Very to have lent. The Investigator thought for each of the credit limit increases that the checks were proportionate and the lending fair. They didn’t think Very would have been aware that Mr B was gambling in a harmful way.

Very agreed with the Investigator’s opinion but Mr B didn’t. In summary, Mr B reiterated that the main point of his complaint was that he had a previous account with Very and that he failed to pay that debt – so Very shouldn’t have lent to him.

The Investigator responded to say, in summary, that they agreed Very should have been aware Mr B did have a previous account and that was written off as part of his DRO - but this didn’t make it unfair to lend.

Because the parties couldn’t agree, the complaint has 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.

We explain how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr B's complaint.

Having carefully considered everything provided, I'm not upholding Mr B's complaint – and I'll explain why.

Very needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr B could afford to repay before providing the lending. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

When Mr B was provided with the account and credit limit increases, Very was required to understand whether Mr B could sustainably repay the full amount it was prepared to lend.

The provision of the account

Before providing the account, Very obtained information from Mr B during the application process and carried out a credit check.

When applying, Mr B declared he was self-employed, earning a gross yearly income of around £27,000. He declared other household income as around £11,000. And, that he was renting from the council and had three dependents. Very's checks suggest it wasn't able to verify Mr B's declared income.

Very's credit check showed:

- Mr B wasn't overly indebted – he had a balance of £386 in unsecured debt at the time of lending, against limits of £400.
- He'd been managing his existing credit well - whilst he had a default showing, the information suggests this was recorded some years before this lending. For accounts opened in the last 24 months, payments were showing as up to date.
- Mr B didn't have any recorded County Court Judgments ("CCJs") or bankruptcy.

As our Investigator has said, Very asked about Mr B's income but its checks suggested what he declared may have been incorrect. So, I think it ought to have verified this information further and I don't think its checks were proportionate on this basis.

To understand what proportionate checks would likely have revealed, I've reviewed Mr B's testimony and the bank statements provided. I've done this to see what Very would have likely understood Mr B's income to be, had it obtained further information about this at the time.

Having done this, I think Very would have still found this lending likely affordable. I say this because, although Mr B has explained his only source of income at the time of lending was

from benefits, a limit of £250 would attract very low monthly repayments. There's nothing that automatically precludes a lender from lending to someone claiming benefits and Mr B has explained larger outgoings such as rent and council tax payments were paid-for, given he was claiming benefits.

So overall, I think any further checks Very may have carried out to understand more about Mr B's income would have revealed that he was likely able to afford the monthly repayments for this lending. His credit check suggested any problems he'd had with credit repayments were historic and therefore not a reflection of how he was managing his existing credit. On the contrary, the checks showed Mr B wasn't overly indebted, appeared to be managing existing credit well – and didn't appear to be in any serious financial difficulty.

I appreciate one of Mr B's main points in this complaint is that an outstanding balance previously owed to Very, was written off as part of his DRO. Having listened to the calls between Mr B and our service, I understand that he says he finds it difficult to believe that a lender would want to lend to anyone again, once that person didn't pay back a previous debt.

But I don't agree this means Very should never have lent to him again, as he suggests. Being in a DRO doesn't automatically stop someone from later getting credit, in particular after the moratorium period has ended. And I understand it had ended, before this lending was agreed. Of course, Very didn't *have* to lend to Mr B again. But what's important here is that Very was obliged to carry out relevant checks to ensure its lending was responsible – at the time the lending was agreed. And as I've said above, Mr B had been discharged from his DRO and Very's checks at the time of this lending don't reveal anything to suggest it shouldn't have lent to him.

I also agree with our Investigator that Very wouldn't have known about Mr B's gambling. I'm sorry to hear Mr B was gambling in a harmful way – I can see this from his bank statements. Ultimately though, given the modest credit limit provided, the risk of Mr B not being able to meet the relatively small monthly payments required, was low. So, proportionate to this, it follows that the checks Very carried out wouldn't need to be as thorough as, say, for a much larger limit.

It follows therefore, that I don't think Very's checks would have extended to seeing his bank statements, as it wouldn't have been proportionate in the circumstances of this case. Given Very wouldn't have seen Mr B's statements and it doesn't appear to have been made aware in any other way, I don't think Very could have known about Mr B's gambling and therefore I wouldn't expect it to have factored this into its lending decision.

So even though I think Very's checks ought to have gone further so it could understand more about Mr B's income, had it done so, I still think it would have found this lending affordable. And I don't think there was any other reason that Very shouldn't have provided this account, for the reasons explained. I therefore think the overall lending was fair when Very provided this account.

Credit limit increases

Before each increase to Mr B's credit limit, Very carried out a credit check and reviewed how he'd been managing his Very account.

Having listened to the calls Mr B had with our service, I understand he claims Very increased his limit without asking him. But from the evidence I've seen, Very's system screen shots suggest that it was Mr B who requested the limit increases. In any event, Very was still obliged to ensure the lending was affordable and responsible at each increase.

I agree with our Investigator that the checks Very carried out at the credit limit increases were proportionate – and the lending fair. I'll explain why.

The credit checks at each increase suggested Mr B wasn't overly indebted and that he'd been managing external existing borrowing well. His external debt had increased at each lending decision, to around £1,500 by the final increase, but compared to his likely disposable income, this wouldn't have suggested he couldn't manage repayments at this level. He didn't have any missed payments or arrears on current borrowing.

Whilst Mr B said that he was making minimum payments towards his Very account balance, this isn't on its own necessarily a cause for concern. I can't say he was in persistent debt, given he'd only had this account for around ten months, by the time of the final increase. He also says Very were increasing his limit whilst he was exceeding it, but I can't see this was the case. His statement balances suggest he stayed within his limit – at least until after the final limit increase on this account. I also can't see Mr B missed any payments. So overall, I think he appeared to be managing his Very account well.

The limit increases happened in June, August and October 2022 – so all within relatively close proximity to the initial lending in December 2021. And the highest and final limit agreed was £575 – so only around £325 more than the initial limit provided. Even at the highest increase, repayments towards this lending wouldn't have attracted particularly high monthly repayments, over and above the repayments required for the initial lending of £250. Considering this, along with what Very's credit checks showed and how Mr B had been managing his Very account, I think its checks were proportionate when increasing the limit on his account.

Overall, I think Very would have understood that Mr B could likely afford the increases. I say this because of what further checks would have likely revealed when Mr B took this account out - and the proximity of this to the limit increases. And, having also considered this in context of Mr B's management of his Very account and external existing debt.

I therefore also think the overall lending was fair when Very increased Mr B's limit each time.

Conclusions

I know this will come as a disappointment for Mr B, but for the reasons explained, I don't think Very lent irresponsibly when providing this account, nor when increasing the limit.

Finally, I've also 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 Very lent irresponsibly to Mr B 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

For the reasons explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 January 2026.

Sophie Kyprianou
Ombudsman