

## Complaint

Mr B has complained that Shop Direct Finance Company Limited ("Shop Direct") irresponsibly provided him with a catalogue shopping accounts and limit increase. He's said that that this caused financial difficulty and resulted in him having to take out a lot of other credit.

## Background

This complaint is about three catalogue shopping accounts Shop Direct provided to Mr B. Two of these accounts were provided under Shop Direct's Very brand. The final account was provided under Shop Direct's Littlewoods brand. The history of Mr B's accounts can be set out as follows:

### First Very Account

January 2012 – Credit facility opened with a limit of £400  
July 2012 – Limit increased to £900  
April 2014 – Limit increased to £1,000.00  
July 2014 – Limit increased to £1,300.00  
November 2014 – Limit increased to £2,050.00  
February 2015 – Limit increased to £2,800.00  
June 2015 – Limit increased to £3,550.00  
October 2015 – Limit increased to £3,850.00  
February 2016 – Limit increased to £4,150.00  
June 2016 – Limit increased to £4,550.00  
October 2026 – Limit increased to £4,850.00  
March 2017 – Limit increased to £5,650.00  
... Limit decreases from March 2018 onwards until the credit limit reaches and amount of £150 in February 2025.

### Second Very Account

January 2012 – Credit facility opened with a limit of £600  
February 2017 – Limit increased to £1,700.00  
... Limit decreases from January 2021 onwards until the credit limit reaches and amount of £150 in February 2025.

### Littlewoods Account

March 2024 – Opened with a credit limit of £500  
May 2024 – Limit decreased to £470

In January 2025, Mr B complained saying that the catalogue shopping accounts and the limit increases Shop Direct provided were unaffordable for him and caused continued financial difficulty and resulted in him having to take out a lot of other credit.

Shop Direct didn't uphold Mr B's complaint. It thought Mr B's complaint about the first Very account was made too late and the initial decision to open the second Very account was made too late. For the limit increase on the second Very account and the decision to open the Littlewoods account, it was satisfied that proportionate checks had been carried out at the time of Mr B's applications and so it was reasonable to lend.

When responding to our request for its file on Mr B's complaint, Shop Direct reiterated its belief that Mr B's about all of the lending decisions on the first Very account and the decision to open the second one, was made too late.

One of our investigators looked at everything provided and wasn't persuaded that proportionate checks would have shown Shop Direct that it shouldn't have provided these accounts or the credit limit increases to Mr B. So she didn't think that Mr B's complaint should be upheld.

Mr B disagreed with our investigator's conclusions and asked for an ombudsman's review of his complaint. After being informed that the complaint was being passed to an ombudsman, Shop Direct confirmed that it was prepared to refund all of the interest, fees and charges that it added to the Littlewoods account.

As the parties are now in agreement over what should happen on the Littlewoods account, this decision is only looking at whether Shop Direct acted fairly and reasonably when providing the two Very accounts and increasing the credit limit on them.

## **My findings**

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

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. Shop Direct has argued that Mr B's complaint was made too late because he complained more than six years after the decisions to provide the catalogue shopping account and the credit limit increase as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained why it was reasonable to interpret Mr B's complaint as being one alleging that the relationship between him and Shop Direct was unfair to him as described in s140A of the Consumer Credit Act 1974 ("CCA"). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mr B's complaint. Given the reasons for this, I'm satisfied that whether Mr B's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mr B's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mr B has not only complained not about the respective decisions to lend but has also alleged that this unfairly resulted in him having to take out a lot of other credit.

I'm therefore satisfied that Mr B's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between him and Shop Direct. I acknowledge Shop Direct still doesn't agree we can look Mr B's complaint, but given

the outcome I have reached, I do not consider it necessary for me to make any further comment, or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mr B's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr B's complaint can be reasonably interpreted as being about the fairness of the lending relationship between him and Shop Direct, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Shop Direct) and the debtor (Mr B), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mr B's complaint, I therefore need to think about whether Shop Direct's decision to initially lend to Mr B and increase his credit limit, or its later actions resulted in the lending relationship between Mr B and Shop Direct being unfair to Mr B, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mr B's relationship with Shop Direct is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mr B's ability to repay in circumstances where doing so would have revealed the catalogue shopping accounts or limit increases to have been unaffordable, or that it was irresponsible to lend. And if this was the case, Shop Direct didn't then remove the unfairness this created somehow.

I've considered whether Shop Direct acted fairly and reasonably in light of this.

*Were the decisions to provide the Very accounts and the subsequent credit limit increases unfair?*

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Shop Direct needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could afford to repay what he was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Shop

Direct should fairly and reasonably have done more to establish that any lending was sustainable for the consumer.

These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mr B's complaint.

#### *Shop Direct's initial decisions to open the Very accounts in January 2012*

Mr B's initial Very account was opened in January 2012 with a credit limit of £400. The catalogue shopping account Shop Direct provided Mr B with was a revolving credit facility. This meant that Shop Direct was required to understand whether Mr B could repay £400 within a reasonable period of time.

I understand that Shop Direct will have carried out a credit check before initially agreeing to provide this account to Mr B. Shop Direct is unable to provide the results of its credit check. Given Mr B applied for the account some thirteen years before he made this complaint, I don't think that this is surprising. Furthermore, Mr B has been able to provide a copy of a credit report from January 2017. And this doesn't suggest that he had any significant adverse information – such as defaulted accounts or county court judgments – recorded against him at this time.

Furthermore, I think it's fair to say that a credit limit of £400 only required low monthly payments in order to clear the full amount that could be owed within a reasonable period of time. And I've not been provided with any clear evidence to show that Mr B's circumstances were such that I could reasonably conclude that he didn't have the funds to make the extremely low monthly payment required for this credit limit.

If anything, it seems to me that any information gathered is more likely than not to have indicated that it was likely that Mr B would be able to repay £400 within a reasonable period of time in the event that he needed to do so. As this is the case, I'm satisfied that it wasn't unreasonable for Shop Direct to have agreed to open the first Very account. And I find that Shop Direct didn't treat Mr B unfairly when it initially opened Mr B's account with a credit limit of £400 in January 2012.

Shop Direct then provided the second Very account to Mr B a few days later. This was provided with a credit limit of £600. Bearing in mind the initial assessment had only taken place a few days or so earlier, it's fair to say that it is unlikely to have changed too much in the time since.

Given I've not seen anything to indicate that Mr B couldn't have repaid £1,000.00 at the time of the initial assessment and there wasn't anything to indicate that Mr B's position had

worsened since then, I'm satisfied that it wasn't unreasonable for Shop Direct to have initially provided the second Very account, with a credit limit of £600, to Mr B in January 2012.

*Why I don't think that Shop Direct's checks before offering to increase the credit limits on the Very accounts were reasonable and proportionate*

From the point that Shop Direct began increasing the credit limit on the first Very account in July 2012, Mr B was in the position where he'd have to repay anything between £1,500.00 and around £7,350.00 within a reasonable period of time. As Mr B ended up being provided with limits of this much, I would have expected Shop Direct to have found out more about Mr B's income and expenditure (including his regular living expenses and existing credit commitments) before providing these credit limit increases.

As there's no suggestion that Shop Direct did this on any of these occasions, at the very least, I don't think that the checks it carried out before it increased the amount of credit Mr B could owe to £1,500.00, when offering the first limit increase in July 2012, were reasonable and proportionate.

*Would reasonable and proportionate checks have made a difference?*

Ordinarily, where a firm failed to carry out reasonable checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate such checks in order to get an indication of what they would more likely than not have shown.

However, while Mr B has been able to provide us with some information, he has not been able to provide us with everything that we've asked him for in order to be able to properly understand and assess what Shop Direct finding out more about his regular monthly living costs and existing credit commitments is likely to have shown at the respective times.

I've not been provided with sufficient evidence to reasonably conclude that Mr B clearly did not have the funds to be able to repay what he could owe and that the limit increases were as a matter of fact unaffordable for him. I do accept that Mr B has been able to provide some evidence of periods where he was gambling significantly. That said, I don't see how Shop Direct could reasonably be expected to have been aware of this.

This is particularly as Shop Direct wasn't required to request bank statements from Mr B as part of its checks in the first place. I also have to keep in mind that Mr B's catalogue shopping accounts only provided him with the ability to purchase goods. It didn't provide him with cash that he would be able to gamble, in the same way that he might have been if he'd have been provided with a loan. So I don't think that Mr B's evidence of his gambling is necessarily indicative of the fact that Shop Direct carrying out proportionate checks would have prevented it from increasing the credit limits on his Very accounts.

I appreciate that Mr B may feel that it is unreasonable and unfair to expect him to provide information on his financial circumstances which he doesn't have and cannot reasonably be expected to have at this stage. But I also have to take into account that Shop Direct isn't required to have retained all of this information either and it was Mr B that chose to make his complaint in January 2025. As this is the case, I have to decide the complaint on what I have before me.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence which corroborates what Mr B has said about not being able to make the increased monthly payments required should he owe the full amount.

In reaching my conclusions, I've also noted that Mr B did have difficulty making the payments on his Very accounts and fell into arrears. However, it looks like Shop Direct set up temporary payment arrangements with Mr B and gradually reduced the credit limits on the accounts. Therefore, I'm satisfied that Shop Direct didn't act unfairly when Mr B had difficulty making his repayments either. This is particularly bearing in mind that Shop Direct now accepts that it shouldn't have provided the Littlewoods account to Mr B and has agreed to refund any interest, fees and charges added to that account.

Overall, and based on the available evidence I don't find that the lending relationship between Mr B and Shop Direct was unfair to Mr B. I've not been persuaded that Shop Direct created unfairness in its relationship with Mr B by irresponsibly lending to him whether when initially agreeing to provide him with his Very catalogue shopping accounts, or in respect increasing his credit limit on them.

Furthermore, any unfairness that may have been created by Shop Direct accepting Mr B's application for the Littlewoods account, in March 2024, would be removed as a result of it refunding the interest, fees and charges it added on that account. Based on what I've seen, I don't find Shop Direct treated Mr B unfairly in any other way either.

So overall and having considered everything, while I can understand Mr B's sentiments and appreciate why he is unhappy, I'm nonetheless satisfied that what Shop Direct has already agreed to do to put things right for Mr B is fair and reasonable in all the circumstances of his complaint. In these circumstances, I'm not requiring Shop Direct to do anything more or anything further and I leave it up to Mr B to decide if he wishes to accept its offer. I appreciate this will be very disappointing for Mr B. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm satisfied that what Shop Direct Finance Company Limited has already agreed to do to put things right for Mr B is fair and reasonable in all the circumstances of his complaint. So I'm not requiring Shop Direct to do anything more or anything further and I leave it up to Mr B to decide if he wishes to accept its offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 November 2025.

Jeshen Narayanan  
**Ombudsman**