DRN-5793799

The complaint

Mr B says Shop Direct Finance Company Limited trading as Very ('Very'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a running credit account. He says that he ran up high bills on the account, and if Very had looked into his circumstances it would have seen that he 'lived in his overdraft' and relied on credit to get through each month.

What happened

This complaint is about a running credit agreement that Mr B took out with Very in January 2023. The agreement had a credit limit of £750, and he could use it to purchase goods and services from an agreed group of retailers. Mr B needed to make a minimum repayment of 7% of the value of the transactions on the account each month. And the account had a 'buy it now pay later' facility.

The credit limit was increased to £1,150 in September 2023 and to £1,250 in February 2024. Mr B has had no repayment problems with the account.

In 2024 Mr B complained to Very saying that he couldn't afford the repayments to the account. Very considered this complaint and it didn't uphold it. Very thought it'd done proportionate checks, which included an external credit check. It was satisfied following this that the credit provided was appropriate. Mr B didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr B's complaint. They thought the checks made when the account was started were proportionate and showed that Mr B could afford the lending. For the credit limit increases they thought that Very should potentially have made better checks, but if it had made these checks Very would still have thought the credit limit increases were affordable, as the information Mr B provided about his circumstances showed this was likely to be the case.

Mr B didn't agree with the Investigator. He said that he didn't think the account was responsibly lent as he needed to take a consolidation loan to repay it. And he said he was living in his overdraft and taking out loans to pay other debt. He said that just because he didn't have missed payments on the account this didn't mean he was living within his means. He was buying things on finance to sell for cash to cover other payments,

There was some further correspondence, but no new issues were raised. Our Investigator still thought the loan looked affordable for Mr B. Because Mr B 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 Very complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit in a sustainable way?

    a. if so, did Very make a fair lending decision?
    b. if not, would reasonable and proportionate checks have shown that Mr B could sustainably repay the borrowing?

2. Did Very act unfairly or unreasonably in some other way?

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

<u>Did Very complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit in a sustainable way?</u>

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.

Very has explained it asked Mr B some questions when he applied for the account about his situation and Mr B told it that he was employed and was earning £38,501. It also found out that he was living with his parents.

As far as I can see Very didn't verify what Mr B earned or find out any further detail about his ordinary living expenditures.

Very also obtained some information from a credit reference agency (CRA). At the time of the initial lending. This showed that Mr B had 19 other credit accounts, and he was up to date with the repayments to all of these. He had a credit limit of £5,850 on his other revolving credit accounts and he owed £10,344 in unsecured loans.

There were no defaults, county court judgements or bankruptcies, but Mr B had been in arrears on his accounts on eight occasions out of the last 24 months. It's not clear exactly when these arrears were.

Very relied on this information when it approved the card initially. And, as far as I can see it didn't ask any further information about his income and expenditure.

But when the credit limit was increased on the account Very obtained some further information from the CRAs. It found out that in September 2023 Mr B owed £1,252 on his credit cards, this rose to £1,306 in October 2023, to £1,847 in February 2024 and then to £2,899 in March 2024. Mr B was paying around £70 to £75 each month into these.

And in September 2023 Mr B owed £15,559 to fixed rate loans and this increased in October 2023 to £19,956, this had decreased in February 2024 to £18,682 but increased again in March 2024 to £19,210. The corresponding monthly repayments for these were £857, £961, £919, £998.

Our Investigator thought that these checks were proportionate when the account was started and they showed that the repayments to the account were likely to be affordable. But, given the increase in his other debts and the time of the credit limit increases, that Very should have looked in more detail at Mr B's circumstances. But that better checks would likely have shown the lending was affordable.

I think the decision is borderline here about whether Very should have looked in more detail at Mr B's circumstances when the account was started. On the one hand, Mr B was starting an account with a very low level of credit. And Very did know that he had a reasonable income and that his living situation seemed stable. Whilst he did have some debt he did seem to be largely managing the repayments to this.

That said, he'd had some repayment problems in the past and he was paying over £900 a month to his existing lending, which is a lot, and wouldn't be far short of half of his net monthly income. And Very didn't know what his expenditure was exactly. So, there could be a basis for saying more checks were needed here.

But on balance, given the lack of evidence of financial problems at the start, and the modest amount of credit provided, I agree that the checks made at the start of the lending were likely to be proportionate. And the credit was likely to be affordable.

But going forward I don't think this was the case, as Mr B's level of debt was clearly increasing over time, which was a sign that he could be in financial difficulty. And Very already knew that Mr B had some repayment problems in the past. So, I think Very could've realised at that time that Mr B may have some financial problems and it should've also become concerned about whether it knew enough about Mr B's true financial situation.

Given this I don't think I can say the checks that Very says it made before approving the credit limit increases were reasonable or proportionate. Very seems to have relied on the fact that Mr B was employed, with what he said was a reasonable income, with little evidence of credit problems, to say the credit limit increases were reasonable. But I don't think this was enough, it should have, for example, investigated what his expenditure was in more detail.

<u>Would reasonable and proportionate checks have shown that Mr B would be able to repay the credit in a sustainable way?</u>

I've gone on to consider what Very would likely have found had reasonable and proportionate checks been carried out when it increased the credit limits on the account.

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

The bank statements show that the information Very had about Mr B was largely correct in some cases. The income I can see going into his account seems to match that of his recorded salary (after tax). And there are no outgoings for rent or similar household bills which supports that he was living with his parents and did not have housing costs.

The amount Mr B had coming into his account was about £1,850 each month. And he was repaying over £900 to his existing loans. And it looks like he spent around £400 a month on other fixed expenditures, such as mobile phone and travel. I think all of this would leave enough for Mr B to repay the Very account. This was the case at each time the credit limits on the account were increased.

I think that Very would have seen this if it had looked into Mr B's circumstances in more detail over the period that it was increasing the credit limit on the account. And it still would have thought it was appropriate to lend to him.

Mr B has said he was in financial difficulty, and he took a consolidation loan to repay this lending. He's said that he extensively used his overdraft. In order to uphold his complaint on this basis I need to be able to say that Very would have seen all of this if it had made better checks.

And I don't think is bank statements or the CRA data show this. He was repaying his existing credit without problems, and he went on to pay the Very lending without difficulty. He has said he was 'living in his overdraft'. But whilst he did use his overdraft there are significant periods on his bank statements that show he didn't always need to do this. And as far as I aware, from the evidence provided to me, Mr B didn't inform Very about any of this.

Overall, I don't think it would have been evident to Very, if it had looked into Mr B's circumstances in more detail, that Mr B was in financial difficulty, in the way he says he was.

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

<u>Did Very act unfairly or unreasonably in some other way?</u>

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 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.

I don't think Very acted unfairly or unreasonably in any other way.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 October 2025.

Andy Burlinson
Ombudsman