DRN-5881865

The complaint

Miss M says Shop Direct Finance Company Limited trading as Very ('Very'), irresponsibly lent to her. She says that it didn't take reasonable steps to ensure she could afford the repayments towards a running credit account. She says that it increased the credit limits on the account inappropriately and she then struggled with the repayments to the account.

What happened

Our Investigator thought the complaint should be upheld. Very disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Miss M's complaint should not be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about a running credit account that was started in June 2018. It had an initial credit limit of £750, and Miss M could use this to purchase goods and services from Very businesses. The credit limit on the account was increased six times as follows

1. To £1,050 in October 2018.
2. To £1,550 in June 2019.
3. To £2,050 in April 2023.
4. To £3,050 in December 2023.
5. To £3,550 in June 2024.
6. To £4,550 in December 2024.

Miss M complained to Very saying that the card was unaffordable for her and that the credit limit increases had caused her financial problems. She says she needed help with essential expenditures because of this.

Very considered this complaint and it didn't uphold it. It said it'd conducted appropriate and proportionate checks, which considered the information provided in the application as well as external credit checks. It thought these checks showed Miss M could afford the lending.

Miss M didn't agree with this, and she brought her complaint to the Financial Ombudsman Service.

Our Investigator upheld Miss M's complaint. He thought the Very did proportionate checks when the account was opened, and this lending decision was fair. However, he thought that at the first credit limit increase it should have made better checks, and these checks would have shown that Miss M couldn't afford the lending as she didn't have enough disposable income. Our Investigator thought that Miss M's use of her overdraft was the primary indicator that she was in financial difficulty.

Very didn't agree with the Investigator. It said that Miss M didn't have a large amount of committed expenditure and so the lending looked to be affordable. And she had paid down the daccount well with only one administration charge and she was regularly repaying more than the minimum amounts.

There was some further correspondence, but no new issues were raised. Because Very didn't agree, this matter has been passed to me to make a final decision.

What I've provisionally 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 Miss M 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 Miss M 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 Miss M'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 Miss M 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 have explained that, at the start of the account, it found out that Miss M had an income of about £19,500 and she was living in rented accommodation. As far as I can see, Very didn't verify this information.

Very also received information from some credit reference agencies (CRA). This showed it that she had other credit with a value of about £6,200 and she was making monthly repayments to this of about £200. The CRA data also showed that Miss M didn't have any adverse repayment information, in respect of her existing credit.

Going forward, Very completed the same checks. It used the same income and then looked at her CRA information alongside how she had used the account. It didn't re-look at her income (or expenditure) again. As her use of the account, and her credit file information, indicated that she wasn't in financial difficulty it thought it was reasonable to continue to lend to her, and increase the credit limit as I've outlined above, over time.

Our Investigator looked at the information provided by Very and he concluded that at the time of the first credit limit increase, Very should have made better checks. And if it had made these checks then it would have seen that she was in financial difficulty due to her overdraft usage. Having looked at all of the information I have been provided I don't agree that this was the case. I'll explain why.

Very has provided all the information it obtained about Miss M. This showed that the other debt she had fluctuated. Very has clarified that her debt rose to about £15,000 just after the first credit limit increase. But it had decreased to around £7,500 at the time of the second increase. Her monthly payments to other credit rose to a high of about £350 in November 2018 but then fell to about £150 in March 2019. There was no indication of any repayment problems over this period. And her other credit decreased to about £5,600 in August 2020.

So, I don't think the increase in debt necessarily should have led to Very looking in more detail at her circumstances. As Miss M was repaying her debt both before and after the first credit limit increase.

So, this isn't an indicator of financial difficulty. And the borrowing on the Very account was modest and was repaid on time over this period.

So, I don't think there was any indication of financial problems over the time from the account opening and the first two credit limit increases. So, I think the checks Very made over this time were proportionate and these lending decisions were fair.

Miss M fully repaid the account in 2021 (a few years after the first and second credit limit increases). She had used the account modestly up to this point and then she didn't use it for a while before starting to borrow again in mid-2022. She used the account relatively modestly until mid-2024. With the amount borrowed reaching about £1,000 at the end of 2024. There weren't any repayment problems, either with the Very account, or her other credit, over this time. And so, I don't think it would be fair to say that Very needed to make further checks here, and the information it had was enough to say the lending was reasonable.

But Miss M's other debt did increase in 2024, in between the fifth and sixth credit limit increases. Depending on the dataset used, Miss M seems to have now borrowed between £28,000 to £31,500. The monthly payments to all of this now look to be about £450 a month.

This could have been normal credit such as personal loan or car finance agreement, and I can see repayments to a car finance provider on the bank statements. But I think that Very should have looked in more detail at Miss M's circumstances at this point to see if the this increase in indebtedness wasn't causing her a problem. I've gone on to consider what Very would likely have found had reasonable and proportionate checks been carried out before credit limit increase number six.

Miss M has also provided copies of his bank statements for the period just before this time. While I wouldn't have expected Very to have asked Miss M 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 Miss M to verify, or provide more information about, her income and committed expenditure during that specific period.

I've not reconstructed Miss M's income and expenditure from her bank account, but I have looked for signs of financial difficulty. I think this is reasonable here as all the other information that Very had still showed that she was managing to repay her credit accounts. Despite the increase in debt.

Having done this I don't think I can say that it would have been clear to Very, if it had made better checks, that Miss M was in financial difficulty. She did use her overdraft over this period, and of course this could indicate a concern. But her current account is also in credit at times. And there are no other indicators of financial problems such as missed, or late, payments to priority bills.

So, having considered everything I don't think I can say that if Very had made better checks that it would have seen Miss M was in financial difficulty. And so, I think this last credit limit increase was fair.

This means that I think that Very didn't lend irresponsibly to Miss M at any point.

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

I have considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss M or otherwise treated her 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 Very acted unfairly or unreasonably in some other way.

Developments

Very, and Miss M, received my provisional decision. And Very agreed with what I had said.

Miss M, didn't agree with my provisional decision. She said that, in summary:

- Her persistent overdraft usage was a clear indicator of financial difficulty as she was relying on anotherr form of credit. Her overdraft usage was problematic.
- Her use of credit had increased; this should have led to a deeper review. This would have shown an unsustainable rise in her living costs and credit expenditure.
- The absence of arrears, or other negative credit indicators, does not mean an absence of financial stress. Her overdraft usage, use of revolving credit and increasing debt balances demonstrated this.
- The regulators rules are such that there is a clear responsibility on firms to avoid harm to consumers. But this lending was not sustainable or proportionate.

As Miss M didn't agree I've gone on to issue my 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.

Whilst Miss M's response was detailed, I think it's fair to say that it didn't raise any new points or provide any new evidence. So, I've reached the same conclusions I reached before, for the same reasons.

As I said in my provisional decision there were times when I think Very should have made better checks. But if it had made these checks then I don't think it would have seen that Miss M was in financial difficulty, to the degree that it shouldn't have lent.

Concentrating on the two main issues that she raised in her response. Miss M did use her overdraft. And there were times when there was only a short period after her pay that her current account was in a positive balance. As I said earlier, this is a concern but the use of her overdraft, and in this case where there are periods of a positive balance, I don't think is enough to say that Very should have made more checks or that this lending was unaffordable.

Miss M did have other debts, and again as I said earlier, this should have led to Very making better checks at times. But I still don't think that these further checks would have shown that Miss M was in financial difficulty. This is because she was repaying her credit and bills without any problems, as she acknowledges.

Miss M has said that that her ability to repay her credit without issue doesn't mean that she wasn't in financial distress. But a good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. And the opposite is also usually the case, if credit is unaffordable this is usually demonstrated by a problematic repayment history, either to the credit or other bills.

There are of course situations where this won't apply but in Miss M's case she was taking on larger borrowing and repaying this without issue. Even if Miss M found this challenging or stressful at times, this doesn't mean that Very lent irresponsibly. And it's difficult to say that lending was irresponsible when a consumer has been able to repay it over a sustained period of time without issue. As is the case here.

I appreciate this is not the answer Miss M was hoping for but, I'm not upholding her complaint.

My final decision

For the reasons set out above, I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 13 November 2025.

Andy Burlinson
Ombudsman