

## **The complaint**

Miss A complains that Shop Direct Finance Company Limited lent to her irresponsibly when they provided her with two home shopping credit accounts and later increased her credit limit on the second account.

## **What happened**

In 2014, Miss A was provided with a home shopping credit account with a credit limit of £300.

In 2020, a further credit account was provided to Miss A with a credit limit of £600, and the limit was later increased to £1,000 in 2022.

In late 2023, Miss A complained. In summary she said Shop Direct had irresponsibly lent to her, and that sufficient checks – to ensure her affordability status – hadn't been undertaken.

Shop Direct didn't uphold the complaint. They said, in summary, that they had carried out checks proportionate to the amount being lent; those checks hadn't revealed any concerns, and on that basis, the credit had been granted. So, they were satisfied they had lent responsibly.

Miss A disagreed; she still thought Shop Direct were wrong to have lent to her. So, she referred her complaint to this Service for independent review.

An Investigator here considered what had happened; having done so, he set out the following:

- Miss A had brought her complaint about the initial lending decision in 2014 out of time, so it wasn't something our service could consider.
- The checks carried out by Shop Direct when they opened Miss A's second account in 2020 - and later increased her limit, weren't proportionate, and should've gone further.
- Miss A had failed to provide sufficient evidence for us to establish what proportionate checks might have shown for the account opening. So, he couldn't conclude that Shop Direct's decision to open the account in 2020 was unreasonable.
- Had Shop Direct carried out proportionate checks when they increased Miss A's credit limit, they would have realised she was struggling financially and was becoming reliant on credit. They therefore should not have increased her limit to £1,000.
- Shop Direct should refund any interest and charges accrued as a result of the credit limit increase, and remove any adverse associated with the limit increase once the amount due to Shop Direct had been repaid.

Miss A accepted the findings, but Shop Direct didn't. They said there were no losses experienced by Miss A as a result of the credit limit increase. They also raised concerns about how the outcome would be recorded.

So, as no agreement has been reached by the parties, Miss A's complaint has now 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.

Having done so, I broadly agree with the findings of our Investigator and for the same reasons. I'll explain.

We have already decided which applications we can and can't look into, and the parties have accepted that the credit application in 2014 falls outside of our service's jurisdiction. For the avoidance of doubt, I agree with this reasoning. I'm conscious both parties have accepted this finding, so I don't intend to comment on this further. So, I'll now consider Miss A's complaint about the sale of the second credit facility in 2020, and Shop Direct's to decision to approve a credit limit increase on the facility in 2022.

The rules and regulations in place at the time Miss A was provided with the credit in 2020, and when her credit limit was later increased, required Shop Direct to carry out a reasonable and proportionate assessment. That's to determine whether Miss A could afford to repay what she owed in a sustainable manner. This practice is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be borrower focussed; that is, relevant to Miss A. So, Shop Direct had to think about whether repaying the credit sustainably would cause her difficulties, or other adverse consequences. In other words, Shop Direct had to consider the impact of any repayments on Miss A.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g: their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Shop Direct did what they needed to before agreeing to lend to Miss A.

The investigator set out the relevant considerations to the parties and explained why he thought the checks weren't proportionate for the account opening, and I broadly agree. But despite requests made to Miss A to provide evidence to support what proportionate checks would've likely revealed, this information has not been forthcoming. So, without knowing what Shop Direct would have likely found had they carried out proportionate checks, I agree with the investigator that I can't reasonably conclude that Shop Direct were wrong to open the account for Miss A.

Turning to the credit limit increase granted in 2022, our service's approach to such cases, is to determine whether or not proportionate checks were carried out, and if they weren't, then to see what proportionate checks would have likely shown the business.

Where proportionate checks would've revealed the lending to be unaffordable, we would look to refund any interest and charges that accrued, as a result of the credit limit increase

that should not have been granted. We would however expect the customer to still repay the capital borrowed; this is an important distinction.

In this case, the investigator has set out why he was satisfied the checks for the limit increase weren't proportionate, and this doesn't seem to be in dispute. And for clarity, I agree with the investigator's findings here, when taking into account the arrears that had accrued prior to the limit increase. So, I agree that Shop Direct should've conducted further checks to satisfy themselves that the credit would remain affordable following the credit limit increase.

Had Shop Direct carried out proportionate checks, I think they would've seen that Miss A was heavily reliant on her overdraft, and that numerous direct debits had been returned unpaid – including payments to financial institutions and telecoms providers – in the lead up to her credit limit being increased. I can also see that Miss A was taking out additional credit to repay external debt at this time, but having done so, then quickly re-entered her overdraft shortly after. So, I think it should've been clear to Shop Direct that continuing to provide further credit at this point would be unsustainable.

While I agree that the credit limit should not have been increased, I've noted that at the point the credit limit was raised to £1,000, no further interest or charges were applied to Miss A's account. So, in this case, Miss A has suffered no direct financial loss as a result of the credit limit increase. And her balance has only increased by the capital spent, which she would remain responsible for.

So, in summary here, while I agree the checks carried out for the account opening and credit limit increase weren't proportionate, I have no evidence to show what proportionate checks would have shown for the account opening; and while I would ordinarily award – as the investigator has – a refund of interest and charges in relation to the credit limit increase; it seems no additional interest or charges were applied after Shop Direct's decision to increase the credit limit on Miss A's account. Therefore, there is no financial award to make in the circumstances.

So, while I don't disagree that Shop Direct's checks should have gone further, I've not been able to evidence any financial loss on Miss A's part as a result of their failings. So, for these reasons, I won't be asking them to refund any interest or charges.

As an outstanding balance remains on Miss A's Shop Direct account within an IVA, once the outstanding sum due to Shop Direct has been cleared under the IVA, I direct Shop Direct to remove any adverse information reported to CRAs as a result of the credit limit increase.

I've also considered whether the relationship might have been unfair under Section 140A (S140A) of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Miss A has been impacted financially by Shop Direct's lending decision, I haven't seen anything to suggest that S140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My final decision is that I uphold Miss A's complaint and require Shop Direct Finance Company Limited to carry out the redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 12 January 2026.

Brad McIlquham  
**Ombudsman**