

The complaint

Miss M complains that Shop Direct Finance Company Limited trading as very (Shop Direct) lent to her irresponsibly.

What happened

Miss M opened an account ending 4088 with Shop Direct in 2003 but the credit limit was removed in April 2007 and reinstated a few days later on 7 April 2007 with a limit of £100. This limit then increased over the years as follows:

Date	New Credit Limit
09 February 2008	£300
03 May 2008	£700
09 January 2010	£1,000
04 October 2010	£1,300
16 November 2010	£1,600
05 January 2011	£1,900
07 February 2011	£2,200
21 March 2011	£2,500
27 June 2011	£2,750
17 October 2011	£3,150
07 January 2012	£3,550

In July 2024, Miss M complained to Shop Direct about a number of accounts with the help of a professional representative saying it had lent to her irresponsibly. Miss M said that Shop Direct had failed to appropriately check whether the credit was affordable for her.

Shop Direct responded to Miss M's explaining why it believed she'd complained too late under the rules set out by the regulator.

Miss M didn't accept Shop Direct's response, so she referred her complaint about account ending 4088 to our service, again with the help of her representative. One of our investigators looked into it and explained why part of Miss M's complaint fell outside our jurisdiction, Miss M accepted this and so the investigator went on to consider the merits of the parts of the complaint she could consider. But, based on the evidence available, our investigator said she couldn't reasonably conclude that the lending was irresponsible, or the relationship was unfair.

Miss M didn't accept what our investigator said, so she asked for a second opinion. As there was no agreement, the complaint has been passed to me for a 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.

Having done so, I've reached the same outcome as the investigator but for slightly different reasons. So, I issued a provisional decision saying:

"There are time limits for referring a complaint to the Financial Ombudsman Service, and Shop Direct thinks this complaint was referred to us too late. Our investigator explained why she didn't, as a starting point, think we could look at a complaint about the lending decisions that happened more than six years before the complaint was made. But she also explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974 (s.140), and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

For the avoidance of doubt, I agree with our investigator that I have the power to look at the complaint on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Miss M says the lending given was unaffordable. This may have made the relationship unfair as she's said she had to pay more than she could afford and was unable to maintain payments to the agreement. I acknowledge Shop Direct still doesn't agree we can look at parts of this complaint, but given the outcome I have reached, I don't intend to comment on this further.

In deciding what is fair and reasonable I am required to take relevant law into account. Because Miss M's complaint can be reasonably interpreted as being about the fairness of her relationship with Shop Direct, relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Shop Direct) and the debtor (Miss M), 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, including:

- *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.

S.140B 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, requiring a refund, or to do or not do any particular thing.

Given what Miss M has complained about, I need to consider whether Shop Direct' decision to lend to her, or its later action or inaction, created unfairness in the relationship between her and Shop Direct such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness. Miss M's relationship with Shop Direct is therefore likely to be unfair if it didn't carry out proportionate affordability checks and doing so would have revealed its lending to be irresponsible or unaffordable, or if it failed to appropriately monitor the account and doing so would have revealed the lending was unfair, and if it didn't then remove the unfairness this created somehow.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- *Did Shop Direct carry out reasonable and proportionate checks to satisfy itself that Miss M was able to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Shop Direct make a fair lending decision?*
- *Did Shop Direct act unfairly or unreasonably towards Miss M in some other way?*

Shop Direct had to carry out reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit sustainably. It's not just about Shop Direct assessing the likelihood of Miss M being able to repay the credit, but it had to consider the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit and the amount of the monthly repayments, and the customers circumstances.

Shop Direct has explained due to the passage of time it no longer holds the information for the lending decisions prior to 2008, and I haven't seen any statements or a credit file that would suggest the decision to provide a limit of £100 on 7 April 2007 was unfair.

However, Shop Direct has been able to provide the result of the credit checks it did from 2008 onwards. These checks revealed Miss M's level of active accounts was reasonable, and that she was managing her other debt well. The account itself was well managed and there was never a closing balance of more than £1,300 throughout the life of the relationship. So, there can be no loss to Miss M as a result of limit increases beyond this point.

That said I can't see that Shop Direct enquired about Miss M's income when making the decisions to lend up to and including the credit limit increase to £1,300 - or if it did this information is no longer available. I think it would have been reasonable for Shop Direct to have understood that Miss M had sufficient income to manage the limit increases it provided. However, again I haven't seen any other evidence of what Miss M's income was at the time. So, whilst I'm not satisfied that Shop Direct did enough to establish Miss M's income was, I don't have enough here to say that its decisions to lend were unfair.

If Miss M can provide any additional evidence in relation to her income between April 2007 and October 2010, we will consider this.

Did Shop Direct act unfairly or unreasonably towards Miss M in some other way?

I can see that Miss M made regular payments to her account on time, and the account was managed within its limits. But by 2012 it appears Miss M had some payment difficulties and Shop Direct agreed a payment plan. It also began to steadily reduce the credit limit on the account from this point and communicated with Miss M about persistent debt. So, I don't think Shop Direct have acted unreasonably here. And I can't see that there were any other issues with the account. Given this I haven't found that Miss M was treated unfairly in any other way.

Overall, and based on the available evidence I don't find that Shop Direct has acted unfairly in this case. It's not clear enough to me from the evidence available that Shop Direct created

unfairness in its relationship with Miss M by lending to her irresponsibly and I don't find Shop Direct treated Miss M unfairly in any other way either based on what I've seen."

Neither party responded to my provisional decision, so I see no reason to depart from my findings.

My final decision

My final decision is that I don't uphold this complaint for the reasons I've set out.

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

Charlotte Roberts
Ombudsman