

The complaint

Miss T complains that Shop Direct Finance Company Limited trading as Very (SDFC) acted unfairly by agreeing to open a revolving credit facility and to subsequent credit limit increases that she said was unaffordable.

What happened

Around May 2019 Miss T applied for a revolving credit facility (catalogue shopping) with SDFC. Miss T's application was successful with SDFC providing her with a credit facility that had a £750 credit limit. SDFC increased the credit limit several times in incremental steps. Around September 2019 by £500 to £1,250, March 2020 by £300 to £1,550, February 2021 by £500 to £2,050 and August 2021 by £ 500 to £2,550. From around September 2022 Miss T said she struggled to meet her repayments with SDFC reducing her credit limit incrementally to £675 by June 2024. Miss T's credit limit was increased by £400 to £1,075 around September 2024.

Miss T complained to SDFC saying they hadn't properly checked whether she could sustain the repayments which had caused her to struggle financially. She said she was only able to make the minimum repayments, and there was evidence of late payments and defaults.

SDFC said their checks were reasonable and proportionate, using application, credit reference agency (CRA) and internal data to assess Miss T's affordability. And based on these checks they'd made fair lending decision (s) as Miss T should have had sufficient disposable income to sustain the repayments. They added as a responsible lending they'd taken steps to reduce Miss T's financial burden when they became aware she was struggling.

Miss T wasn't happy with SDFC's response and referred her complaint to us.

Our investigator was satisfied in the main that SDFC's checks had been reasonable and proportionate. But due to the passage of time not all the evidence was available so they couldn't say all the checks had been reasonable and proportionate. Miss T provided her credit reports and relevant bank statements. Our investigator said had SDFC checked further they would have found the lending was affordable. So, they didn't ask SDFC to do anything differently.

Miss T disagreed and asked for an ombudsman 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've reached the same overall conclusions as the investigator, and for broadly the same reasons. Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality. So, I'm not upholding Miss T's complaint, I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before SDFC offered the credit facility they needed to complete reasonable and proportionate checks to be satisfied Miss T would be able to repay the debt in a sustainable way.

In deciding what was proportionate SDFC needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Miss T was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. SDFC was initially approving a credit limit of £750. So, I think they could have reasonably assumed Miss T would need to be able to pay around £37.50 each month to clear any outstanding balance within a reasonable period.

There isn't a set list of checks a lender must do. CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out, obtained, where appropriate, from the consumer, and where necessary from a CRA.

SDFC said they'd used Miss T's application and CRA data. From Miss T's application she'd declared she was employed with a gross annual salary of £23,501, and a household salary of £39,501, and that she was living with her parents. SDFC said they cross checked this with a CRA. But due to the passage of time SDFC can't provide all the CRA check details. I don't draw any adverse conclusions from SDFC's inability to provide me with the results of their checks. And I've no reason to doubt the checks were done, as they have been able to show the CRA found that Miss T had three active accounts with no signs of financial vulnerability such as missed payments, arrears, defaults or county court judgments.

Miss T has provided her own credit report which should show me what SDFC's checks would have found. I can see Miss T had a current account, a mail order account that had an outstanding balance of around £1,600, and a credit card that had a credit limit of £3,500 which had an outstanding balance of around £3,475.

So, I'm satisfied the checks SDFC would have done were reasonable and proportionate for the type and amount of credit they were providing. And I don't think that there was anything immediately obvious in the information that they had, including Miss T's existing credit, which meant they shouldn't rely on it. So, I don't think SDFC needed to have asked Miss T to provide further evidence in support of her income or expenditure before providing her with a credit limit in this instance. And I think their decision to lend was fair as Miss T had a regular monthly income, she's a low level of unsecured debt. And Miss T said she lived with her parents so it's not unreasonable for her non-discretionary spending for household costs to be considered relatively low. Miss T was also managing her active credit commitments being up to date.

While the ability to repay credit without issue doesn't mean that there isn't financial distress. 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.

As outlined above the new lending was for a relatively low amount and would have seen an additional expenditure of around £37.50 so I'm satisfied Miss T should have been able to sustain her repayments.

SDFC increased Miss T's credit limit by £500 around September 2019, this means SDFC needed to check whether Miss T would be able to sustain an additional monthly payment of around £25. I can see they did a CRA which showed Miss T still had three active accounts and was up to date with her credit commitments. I can see from Miss T's credit report she'd a current account that had an overdraft facility of £4,000, of which she was using around £3,889, she'd still one credit card that had the credit limit of £3,500, that had an outstanding balance of £3,469. And her mail order account. SDFC also had the additional information as to how Miss T was managing her credit facility with them. From SDFC's records I can see Miss T hadn't any missed payments, late or over the limit charges. And that she was paying more than the minimum amount required each month. So, I'm satisfied SDFC's checks would have been reasonable and proportionate and based on these checks Miss T should have been able to sustain the repayments.

Around March 2020 SDFC increased Miss T's credit limit by a further £300, meaning they needed to check whether she could sustain an additional monthly repayment of around £15 a month. I can see from SDFC's credit check that Miss T now had four active accounts, the new account being for a fixed term loan that had an outstanding balance of around £1,272 repayable at £38 each month. All of Miss T's accounts were being well managed. From SDFC's records I can see Miss T was paying more than the minimum required, and she hadn't missed any payments or incurred any charges. So, I'm satisfied the checks SDFC did were reasonable and proportionate for the type and amount being borrowed and based on these checks I think SDFC made a fair lending decision.

Around February 2021, SDFC increased Miss T's credit limit by a further £500, an additional monthly expenditure if fully drawn down of around £25. SDFC did similar checks which showed Miss T now had eight active accounts, that included three credit card accounts that showed she'd a total outstanding balance of £4,701, a fixed term loan(s) with an outstanding balance of £1,153 (repayable at £69 each month). And that she was managing her active credit commitments being up to date. SDFC's records show Miss T was paying more than the minimum repayment required, she hadn't missed any payments or incurred any late or over the limit fees. And she settled any transactions she taken on Buy Now Pay Later in full before incurring any interest. Given the type and amount of credit SDFC were providing I think their checks were reasonable and proportionate. And based on these they'd made a fair lending decision.

Around August 2021 SDFC increased Miss T's credit limit by a further £500, meaning an additional monthly repayment, if fully drawn down of around £25. From SDFC's checks I can see Miss T now had nine active accounts that included two current accounts, three credit cards with outstanding balance of £7,427, and she'd a fixed term loan(s) balance of £22,753. Miss T was maintaining her active accounts with no adverse information being registered. And she was managing her SDFC account well paying more than the minimum required with no missed payments or charges incurred. But I think SDFC should have considered Miss T's increased indebtedness.

With regard to proportionality CONC says certain factors may point towards a more rigorous assessment and others towards a less rigorous one in which case the lender should weigh up the factors before deciding what type of creditworthiness assessment is required.

For a lending decision of £500 I wouldn't expect a lender to carry out a full in-depth income and expenditure check as that would be disproportionate to the relatively low amount being

borrowed. But I'd have expected SDFC to have verified Miss T's income. Miss T has shown her average monthly income leading up to the credit limit increase was around £2,211. From SDFC's CRA checks Miss T's monthly loan repayments were £429. And she was repaying a credit card balance of £7,427 (around £372 each month) added to this Miss T had a mail order account and an overdraft. So, her monthly credit commitments I think would have been around £1,000 a month. SDFC's CRA check showed Miss T's debt to income ratio to be 58%. While I accept that Miss T's circumstances might have been worse than the information SDFC obtained. Overall, I don't think that there was anything immediately obvious in the information that SDFC had, including Miss T's existing credit and monthly income, which meant Miss T wouldn't have been able to sustain the repayments.

I say this as the amount being lent was relatively low. Miss T had a regular income, and she was meeting her credit commitments being up to date with no adverse information registered. Her repayment history with SDFC was good, as she was paying more than the minimum required. And as previously mentioned, a good repayment history is a fairly reliable indicator that an individual can manage debt responsibly. So, I can't say SDFC acted unfairly in lending to Miss T.

Miss T advised SDFC that she was struggling to meet her repayments around September 2022, and I can see SDFC took steps to support Miss T by reducing her credit limit incrementally, suspending interest and charges for 14 months. And not accepting any further orders. Miss T's credit limit had reduced to £675 by June 2024. I can see Miss T asked for her credit limit to be increased by £1,000 around the same time but this was declined. But around September 2024, after a further credit limit increase request made by Miss T for £400, I can see SDFC increased her credit limit by this amount. This meant SDFC needed to check Miss T would be able to pay around £20 a month more.

Again, SDFC did a CRA check which showed that Miss T still had nine active accounts, she'd three credit cards with outstanding balance of £7,048. And her fixed sum loan(s) balance had reduced to £12,374, with monthly repayments now showing as £354 each month. Miss T's debt to income ratio had reduced to 30%. SDFC's records show Miss T hadn't been in arrears for four months prior to the credit limit increase. And she was paying more than the minimum payment required. So, I think SDFC's checks were reasonable and proportionate. Based on these checks I don't think they lent unfairly as Miss T should have been able to sustain the repayments. And it wouldn't be fair for a lender to decline credit when a consumer is showing their financial situation had improved and they're managing their active accounts.

I appreciate Miss T will be disappointed by my decision. But our role, as an impartial service, is to reach an outcome that is fair to both parties. While I emphasise with Miss T, for me to say SDFC must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else.

I've also considered whether SDFC acted unfairly or unreasonably in some other way given what Miss T has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think SDFC lent irresponsibly to Miss T or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 24 February 2026.

Anne Scarr
Ombudsman