

## **The complaint**

Miss C complains that Shop Direct Finance Company Limited (SDFC) acted irresponsibly when agreeing to lend to her.

## **What happened**

Around August 2021 Miss C applied for a revolving credit facility (catalogue account) with SDFC. Her application was successful and SDFC opened the account with a credit limit of £400. SDFC increased Miss C's credit limit incrementally, November 2021 to £800, February 2022 to £1,100 and May 2022 to £1,300. SDFC increased Miss C's credit limit further over the next couple of years to £3,700, but Miss C's never used these further credit limit increases. Miss C complained to SDFC saying they hadn't sufficiently checked whether she could afford the credit facility and subsequent credit limit increases. And if they had they would have seen she was overly indebted and financially vulnerable. She complained to SDFC.

SDFC said as Miss C hadn't used any of the credit limit increases above £1,300, they hadn't considered these in her complaint as there wasn't any financial detriment caused. They said their checks had been reasonable and proportionate for the type and amount of credit Miss C was provided with. And based on these checks they'd made a fair lending decision.

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

Our investigator said SDFC's checks had been reasonable and proportionate. Their checks showed Miss C was managing her active credit commitments and should have had sufficient disposable income to sustain the repayments. So didn't ask SDFC to do anything differently.

Miss C didn't agree 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.

I appreciate my decision will disappoint Miss C but 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'll explain why.

Firstly, Miss C hasn't used the credit limit increases above £1,300, so, in reaching my decision I will only be considering the account opening credit limit and subsequent credit limit increases up to £1,300.

Whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

Our approach to unaffordable, irresponsibly lending is outlined on our website. And I will be considering this approach in reaching my decision about Miss C's complaint. 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 C 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 C 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 approving a credit limit of £400. So, I think they could have reasonably assumed Miss C would need to be able to pay around £20 each month to clear any outstanding balance within a reasonable period.

While there isn't a set list of checks a lender must do. CONC says a lender needs to take reasonable steps to estimate a consumer's income and non-discretionary expenditure. Also, that a lender must base their creditworthiness assessment on sufficient information of which they are aware at the time the assessment is carried out. And that this should be obtained, where appropriate, from the consumer and where necessary from a credit reference agency (CRA). CONC says that generally a lender shouldn't solely rely on a consumer's declared income but seek validation through an independent source such as a CRA or third party. I've looked at the checks SDFC did and what these showed.

SDFC said they'd used Miss C's application and CRA data. From Miss C's application she'd declared she was employed with an annual salary of £18,501, and a household income of £50,001, she was a homeowner with two dependents. SDFC cross checked this with a CRA.

From the CRA check they assessed Miss C had seven active accounts, which included one credit card and two bank accounts. Her outstanding credit card balance was £644. There wasn't any evidence of missed payments, arrears, defaults or county court judgments (CCJ).

Given the initial account opening was for a relatively low amount I'm satisfied SDFC's checks were reasonable and proportionate as anything more would have been disproportionate. And based on these checks I think SDFC made a fair lending decision, as they showed Miss C had a regular income, low indebtedness and no signs of financial vulnerability.

Around November 2021, SDFC increased Miss C's credit limit by a further £400. So SDFC needed to assess whether Miss C would be able to pay an additional £20 each month to clear any balance within a reasonable period. I can see they did the same checks as at initial account opening which I think are reasonable and proportionate. I can see that Miss C now had three credit cards with an outstanding balance of £1,632. But there wasn't any evidence of financial vulnerability such as arrears, missed payments, defaults or CCJ's.

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.

SDFC also had the additional information about how Miss C was managing her account with them. From SDFC's records I can see that Miss C had taken the option of Buy Now Pay Later for some of her transactions. And had settled her closing balance for the others in full. So, I'm satisfied SDFC made a fair lending decision as their checks showed Miss C should have been able to sustain the additional repayment each month without causing her any financial duress.

Around February 2022 SDFC increased Miss C's credit limit by a further £300, meaning they needed to consider whether Miss C would be able to sustain an additional repayment of around £15 a month. And around May 2022 by a further £200, meaning they needed to consider whether Miss C would be able to sustain an additional repayment of around £10 each month.

Again, I'm satisfied the checks SDFC did were reasonable and proportionate given the type and amount being borrowed. And while I can see Miss C was becoming more reliant on credit, as she'd increased the number of credit cards she had I don't think that there was anything immediately obvious in the information that they had, including Miss C's existing credit, which meant they shouldn't rely on it. As Miss C was managing her credit commitments, with no signs of financial vulnerability being evident. And SDFC's records showed Miss C had settled her outstanding balance several times, with no missed payments, arrears, or charges applied for late payments or being over the limit.

I take on board Miss C's comments that had SDFC asked for her bank statements they would have seen she was financially vulnerable. But I can't hold SDFC to account for something they wouldn't have seen as I don't think SDFC needed to have asked Miss C to provide further evidence in support of her income and expenditure such as bank statements before providing her with these credit limit increases.

I appreciate my decision will disappoint Miss C but I hope my reasoning explains why I can't ask SDFC to do anything differently.

Although I'm not upholding this complaint. I'd like to remind SDFC of their obligations to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Miss C is experiencing financial difficulty.

I've also considered whether SDFC acted unfairly or unreasonably in some other way given what Miss C 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 C 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 C to accept or reject my decision before 18 February 2026.

Anne Scarr  
**Ombudsman**