

The complaint

Mr Q complains that Shop Direct Finance Company Limited trading as Very (Shop Direct) acted irresponsibly when they agreed to lend to him.

What happened

This complaint is about a catalogue shopping account which Shop Direct provided in March 2020 with a credit limit of £400. Mr Q complained that he was in financial difficulty when the account was opened, and that proportionate checks would have found the lending wasn't affordable or sustainable. The credit limit on the account was increased nine times as follows:

1. To £700 in September 2020
2. To £1,000 in December 2020
3. To £2,000 in May 2021
4. To £3,000 in August 2021
5. To £4,000 in March 2022
6. To £5,000 in October 2022
7. To £6,000 in January 2023
8. To £7,000 in June 2023
9. To £8,000 in November 2023

From January 2024 until September 2025, Shop Direct gradually reduced the limit to £3,000. The account balance never exceeded £7,000. Therefore, Mr Q didn't lose out as a result of the final lending decision.

Shop Direct partially upheld this complaint from the credit limit increase to £6,000 in January 2023. They calculated redress from when the balance exceeded £5,000, refunding interest and charges, and removing any adverse information on Mr Q's credit file from that point.

Mr Q wasn't happy with Shop Direct's response and referred his complaint to us. Our investigator said that while Shop Direct ought to have carried out further checks on some of the credit limit increases, the lending decisions up to the £5,000 credit limit were fair. Shop Direct didn't dispute this position, but Mr Q did. In summary, he thought the lending was unaffordable from the time the account was opened.

Ultimately a resolution wasn't reached, so the case has 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.

I've considered what both parties have said about Mr Q's lending with Shop Direct. Having carefully considered everything, I think Shop Direct acted fairly and reasonably.

The relevant rules, regulations, and guidance at the time of Shop Direct's lending decisions

required them to carry out proportionate checks. While there isn't a defined list of checks a lender needs to carry out, such checks should be proportionate, considering things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. These checks needed to assess Mr Q's ability to afford the credit being approved and to be able to repay it sustainably, without causing him financial difficulties or harm.

It isn't sufficient for Shop Direct to just complete proportionate checks, they must also consider the information obtained from these checks to make fair lending decisions. I've considered the checks Shop Direct did and what they found from these checks.

Account opening

During the account application, Mr Q said that he lived with his parents, was employed full-time, and had a gross annual income of £15,501 with a total household income of £34,501. Credit Reference Agency (CRA) data showed that he had existing credit totalling £1,150 requiring monthly repayments of £48. He had no County Court Judgments (CCJs) or defaults. All payments were up to date at the time of the lending decision. However, there were only seven months in the past two years where there had not been any missed payments on external credit accounts, with some recently missed payments.

Even with the low amount of credit offered, I think that the frequency of missed payments in recent months means that Shop Direct should have asked more questions about Mr Q's circumstances. I don't think the checks carried out were reasonable and proportionate.

I've gone on to consider what information Shop Direct would likely have found had reasonable and proportionate checks been carried out. Mr Q provided copies of his bank statements for the time leading up to the account opening. I don't think Shop Direct needed to request or review these statements, but they give a good indication of what Shop Direct would most likely have found had they asked for more information about Mr Q's committed expenses, which I think is sufficient here.

Mr Q's bank statements show that his essential monthly spending was around £570 (including around £250 to what appears to be a parent's account). Mr Q's statements show he was paying around £160 for existing credit, with a £48 payment that was no longer required from March 2020. CRA data had shown lower required payments. Mr Q's declared income means he was likely to have a monthly net income of around £1,200. This would mean Mr Q had a monthly disposable income of at least around £518.

Mr Q was provided with a revolving credit facility, so the monthly repayable amount is variable. When thinking about sustainability, Shop Direct needed to consider whether Mr Q could afford to repay the balance in full over a reasonable period of time. The level of payments required to repay the full £400 limit over a reasonable time is very modest, and I think this would have been affordable for Mr Q.

I think Shop Direct exercised caution by offering a low credit limit to begin with which gave them an opportunity to see how Mr Q could manage credit going forward before offering a larger amount. CRA data didn't indicate that Mr Q was overindebted and accounts were up to date.

Mr Q says that he had signs of financial difficulty on his bank statements such as gambling transactions. However, as I don't think that Shop Direct needed to request bank statements and review transactions prior to their lending decision, this would not have been evident based on reasonable and proportionate checks.

Taking all of the circumstances into account, had proportionate checks been carried out, I think it was reasonable to find Mr Q could afford to sustainably repay a balance of this size in a reasonable amount of time without causing financial difficulty.

First and second increase

Shop Direct used the income information provided with the initial application and reviewed Mr Q's CRA data alongside how he had used his account with them to consider the first two credit limit increases.

Mr Q's account with Shop Direct was generally well managed, with one missed payment of around £9.50 in June 2020. However, the account was brought back up to date the following month with no further missed payments in this time. Other payments prior to these two increases were much higher than the minimum payment required and the account was not over utilised. Mr Q's existing external credit had increased to around £11,000 at this time, requiring around £200 per month of repayments. Shop Direct reviewed Mr Q's CRA data which showed he was managing his external accounts well, with no defaults and payments being made on time.

Taking into account the level of credit offered at this time and Mr Q's management of his Shop Direct and external credit, I think that the checks which Shop Direct carried out were reasonable and proportionate in the circumstances and the resulting decisions to lend were fair.

Third increase

As Shop Direct continued to increase Mr Q's credit limit, I think they ought to have confirmed Mr Q's income and expenditure. By the third limit increase, Mr Q had consistently higher levels of external debt, as well as a significant increase in the limit on his Shop Direct account to £2,000. Mr Q had a relatively low income, and his expenses were influenced by the fact he was living with his parents. I don't think the checks which were carried out were reasonable and proportionate at this stage.

I've considered what information Shop Direct would likely have found had reasonable and proportionate checks been carried out. Mr Q provided copies of his bank statements for the time leading up to this increase and I've used these to illustrate what Shop Direct would most likely have found had they asked him for updated information on his income and essential expenditure.

Mr Q was receiving an average monthly net income of around £1,297. He had total average essential expenses of around £554 (including around £380 to what appears to be a parent's account). CRA checks showed Mr Q had external credit totalling around £11,500 with required monthly payments of around £300, although he was often making payments much higher than this. This found that Mr Q had a disposable income of around £443 which I think gave sufficient disposable income for this level of lending.

There continued to be no indication that Mr Q was in financial difficulty from the information available on his Shop Direct account and credit file. I also note that the increased external credit was largely due to a hire purchase agreement for around £10,800. During this time, there was one missed payment on Mr Q's Shop Direct account in January 2021, but this was brought back up to date the next month and his payments on the account otherwise far exceeded required minimum payments. Further, this credit limit didn't require especially large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I think that had Shop Direct carried out reasonable and proportionate checks, they would have found that the decision to increase Mr Q's credit limit was fair.

Fourth to sixth increases

Shop Direct completed the same checks as above on each of the remaining credit increases. Shop Direct reviewed CRA data for each of these increases, which showed Mr Q was managing his external credit well. There continued to be no CCJs, no recent defaults or missed payments. CRA checks before the fourth increase showed external credit totalling around £14,000, with required monthly payments of around £300. For the next two increases, he had £12,300 of credit elsewhere and later £16,000 of credit with monthly payments of around £400.

The payments on Mr Q's Shop Direct account continued to far exceed required minimum payments. The total balance on the account did not indicate it was being over utilised and was typically well below 75% of the available limit. The account also had payments options such as Buy Now Pay Later (BNPL) which could defer payment and avoid interest. There continued to be no indication that Mr Q was in financial difficulty from the information that was available.

Taking all of this into account, I think Shop Direct carried out checks that were reasonable and proportionate in the circumstances. On balance, Mr Q was likely to be able to repay this lending in a reasonable period of time without causing him financial harm and I think the resulting decisions to lend were fair.

Other considerations

While there were further increases, Shop Direct have accepted Mr Q's complaint from January 2023. They calculated redress from the point Mr Q's balance exceeded £5,000, refunding standard interest, BNPL deferred interest and administration charges. They also removed any adverse information recorded on Mr Q's credit file since this increase. As the interest and charges form part of the outstanding debt, which exceed the redress amount, they didn't apply 8% simple interest. I don't think that Shop Direct need to take any further action in this regard and I think the redress is in line with what I would have instructed Shop Direct to do had I found the later increases from this point were unfair.

Mr Q has also raised that it feels inconsistent that some earlier checks were found to not be proportionate, while later checks were. Earlier checks not being proportionate doesn't mean that later ones won't be, provided that the lending was fair. In this case, Shop Direct had further information to rely on in some of the later limit increases, such as an increasingly clear picture of how Mr Q was using his account with them. Further, there wasn't anything that ought to have prompted them to make further checks in these instances. So while some earlier lending decisions required further checks, the others were found to be fair without requiring more checks due to the surrounding circumstances at the time.

It is also noted that Shop Direct is required to exercise forbearance and due consideration in line with their regulatory obligations. After Mr Q was in arrears from October 2024, Shop Direct continued to decrease his credit limit and set up a payment arrangement to bring the account up to date, including suspending interest and charges and not allowing further orders. At the time of their final response letter, the account was up to date. While I would expect Shop Direct to continue to act with forbearance once learning of Mr Q's financial situation, I do not think that they needed to take further action in this regard.

In reaching my conclusions, I've also considered whether the lending relationship between Mr Q and Shop Direct might have been unfair to Mr Q under Section 140A of the Consumer

Credit Act 1974 (“CCA”). However, for the reasons I’ve already explained, I’m satisfied that Shop Direct did not lend irresponsibly when providing Mr Q with credit when increasing his limit, and where they have lent irresponsibly, what they’ve done to put things right corrects any unfairness. I haven’t seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome.

My final decision

For the reasons given above, I do not uphold this complaint against Shop Direct Finance Company Limited trading as Very.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr Q to accept or reject my decision before 30 April 2026.

Frances Kerslake
Ombudsman