

The complaint

With the help of a professional representative (PR), Miss J complains that Shop Direct Finance Company Limited (SDFC) lent to her irresponsibly. For ease, I'll refer to the actions of the PR as being those of Miss J.

What happened

Miss J has had three accounts with SDFC for many years. The credit limit on each has fluctuated up and down. Some of her accounts were opened before catalogue shopping became regulated by the Financial Conduct Authority (FCA) on 6 April 2007. I've not listed all the movements here, but have captured the main considerations in the table below. Where the account was opened before the lending was regulated, the date and initial limit I've given is the first limit increase after regulation.

	Post-regulation date	Initial limit	Maximum limit	Maximum balance	Current limit
Account 1 (2869)	1 December 2007	£675	£7,150	£1,521.71	£1,650
Account 2 (6717)	23 June 2007	£8,800	£8,800	£1,295.39	£1,000
Account 3 (8916)	26 July 2008	£950	£5,300	£1,516.20	£3,050

On 6 August 2024, Miss J complained to SDFC. She said it had failed to carry out a proper income and expenditure check and that it *"took advantage of the [vulnerable] circumstances"* she was in. To resolve her complaint, Miss J asked SDFC to refund all charges and interest she'd paid along with interest at 8% simple, and £100 compensation for the trouble and upset caused.

SDFC looked into Miss J's complaint and issued a final response letter. It said the majority of the limit increases took place more than six years before she raised her complaint so fell outside the time limits contained in the complaint handling rules of the FCA. It said all the lending decisions on accounts 2 and 3 had taken place more than six years ago so were both outside our jurisdiction.

But there were two limit increases on Account 1 that had taken place within the last six years, namely to £1,150 on 2 May 2020 and £1,650 on 4 February 2023. It said it was satisfied it had carried out appropriate checks and the limits set were reasonable. It didn't uphold her complaint.

Miss J didn't accept SDFC's response, so she referred her complaint to our service. One of our investigators looked into it. She felt the complaint could reasonably be considered as being about an unfair credit relationship as described by Section 140A of the Consumer Credit Act 1974 (s.140). She said that on that basis the complaint points about the lending since April 2007 had been brought in time under the rules and fell within our jurisdiction. Our investigator went on to consider the merits of the complaint but ultimately, didn't uphold it.

Miss J didn't agree with our investigator, so the complaint 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 note that SDFC has accepted our jurisdiction over this complaint from the date it became regulated on 6 April 2007 and Miss J's PR hasn't disputed it. I don't therefore need to comment further on our jurisdiction and will instead focus on the merits.

Given what Miss J has complained about, I need to consider whether SDFC's decisions to lend to her and increase her credit limits, or its later actions, created unfairness in the relationship between her and SDFC such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss J's relationship with SDFC 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, 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 the circumstances of this complaint:

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

SDFC had to carry out reasonable and proportionate checks to satisfy itself that Miss J would be able to repay the credit sustainably. It's not about SDFC assessing the likelihood of it being repaid, 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, the amount of the monthly repayments and the overall circumstances of the borrower.

I've looked first at how the accounts performed as this will provide background for the many lending decisions taken across the accounts over the years. I'll go on to comment on the allegation of irresponsible lending.

Account performance and limit variations

Account 1 (2869)

The first limit increase post regulation took place in December 2007 and took Miss J's credit limit to £675. In May 2008 it increased to £875. From July 2009 it went up to £1,200 followed by an increase between £300 and £500 every three or four months until it reached £7,150 on 16 April 2012. The limit was reduced to £3,000 in June 2017 and to £1,200 in December 2012.

From April 2007 to February 2025 (the last date I have information for), Miss J's average balance was £150. The highest interest-bearing balance seen was £1,521 in June 2012 which was reduced to £43 the following month.

Miss J's limit had reached £1,800 by November 2009. As the balance never exceeded that amount, I don't need to consider any later increases as the lending was never used.

Account 2 (6717)

When regulation came in in April 2007, Miss J's limit was already £8,300. We have some transactional data going back as far as August 2006, which shows the highest balance from then to April 2007 was £1,257.13. So the high limit wasn't being used extensively.

The limit was increased to £8,800 in June 2007, before being reduced to £800 in October 2007. This highest balance while the high limit was in place, was £809.62. So I can't say that increase caused any detriment to her. The limit was increased to £2,100 in March 2008. Miss J used £1,295 of that for one month only, before reducing her balance to £200.

The limit was reduced again this time to just £50 in January 2009, and was increased steadily to £8,500 in September 2012. In those 3 ½ years, the highest balance seen was £489.48, with an average of less than £150.

In November 2012, the limit was reduced to £1,000 where it has stayed since, and there's been an average balance of less than £200 throughout this time.

Account 3 (8916)

This account had a limit of £700 when regulation came in. It had low statement balances which were repaid in full until July 2007. The limit varied up and down until it reached £3,300 in July 2011. This was the first time the balance exceeded £700 – reaching £889 in this period.

The limit fluctuated and got as high as £5,300 for a couple of months in 2012, but the highest recorded balance was more recent - £1,516.20 in April 2023 when the limit was £3,050.

Summary

So I can see that Miss J's accounts were well run and managed comfortably within the limits. It should be noted that this kind of credit could only be used to make purchases from SDFC brands through catalogues and online. They weren't like using a credit card where the money can be used for any purpose.

There's no sign of Miss J missing payments or contacting SDFC to explain she was struggling with the credit. And bearing in mind the low proportion of the limits used, I don't think there are any signs that Miss J was credit hungry or was overly reliant on the credit offered.

Irresponsible lending

The relevant increases generally took place over 10 years ago. I don't have all the information SDFC considered at the time, but I don't find that surprising as businesses are not required to retain records indefinitely. But for that reason, I can't fairly say reasonable and proportionate checks were carried out.

Miss J has been able to provide some statements for her bank account from 2007 onwards. These show she was earning around £800 per month in 2007, and occasionally went overdrawn for a few days. But there are no signs of financial difficulty, and the account generally runs in credit.

I do think that some of the limit increases given to Mrs J were too high based on her income and the fact that she had at least two other accounts with SDFC. For instance, I think the £7,150 limit on Account 1 in 2009 seems too high given her income at that point appeared to be made up of benefits of around £120 per week. But even at this point, her current account was exclusively in credit, and for the couple of months that the limit was at that level, the SDFC account balance was just £30. So while the limit may have been too high, I can't see it caused her any detriment as it wasn't used.

It appears to be a similar story going forward. Fairly high limits were agreed but not used, and Miss J's bank statements show her financial circumstances were in good shape. She was rarely overdrawn and from 2010 to 2018 (on the statements I have) generally had a credit balance of several hundred pounds. From mid-2018 or so, the balance rarely fell below £1,000 in credit and increased from there.

So I haven't seen any persuasive evidence that the catalogue shopping accounts Miss J had with SDFC caused her any financial difficulty. Even if I was to find the higher limits were irresponsible and created any unfairness at the time, then I'm satisfied that the unfairness was corrected through limit reductions and that the relationship has subsequently become fair.

For the reasons I've already given, I don't think SDFC lent irresponsibly to Miss J or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that the relationship was unfair at any point or that consideration of Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 10 April 2026.

Richard Hale
Ombudsman