

The complaint

Miss B complains that Shop Direct Finance Company Limited (Shop Direct) acted irresponsibly when they agreed to lend to her.

What happened

In April 2020, Miss B successfully opened an account with Shop Direct with a credit limit of £600. The credit limit was increased in September 2020 to £1,000 and again in April 2021 to £1,600. Miss B found the lending to be irresponsible and unaffordable. She went on a debt management plan in 2022, but Shop Direct continued to allow her to make further Buy Now Pay Later (BNPL) transactions on the account. She doesn't feel sufficient checks were carried out, as negative information would've shown on her credit file.

Shop Direct say they considered the information provided in the application as well as reviewing Miss B's Credit Reference Agency (CRA) data. For the limit increases they also considered how she was managing her account with them and say that proportionate checks were carried out.

Miss B wasn't happy with Shop Direct's response and referred her complaint to us. Our investigator said that they thought the checks carried out for the account opening and the credit limit increases were proportionate and the lending was fair.

Shop Direct didn't dispute this position, but Miss B did. In summary, she said that further checks should have been carried out before being able to make further BNPL transactions. Our investigator replied to say that BNPL purchases would not be considered further lending, as they were within the current credit limit. Miss B didn't agree and asked for an ombudsman to decide on the matter. 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 Miss B's lending with Shop Direct. Having carefully considered everything, I think that Shop Direct acted fairly and reasonably.

The relevant rules, regulations, and guidance at the time of Shop Direct's lending decision 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 Miss B's ability to afford the credit being approved and to be able to repay it sustainably, without causing her 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, Miss B said she had a gross annual income of £21,501 and was living with her parents. CRA data showed she had external credit totalling £6,966 requiring monthly repayments of £354. She had no bankruptcies, County Court Judgments (CCJs) or defaults. All payments were up to date at the time of the lending decision.

Miss B was provided with a revolving credit facility, so the monthly repayable amount is variable. When thinking about sustainability, Shop Direct needed to consider whether Miss B could afford to repay the balance in full over a reasonable period of time. The level of payments required to repay the full £600 limit over a reasonable time is modest. Taking all of this into account, I thought that the checks which Shop Direct carried out before lending were reasonable and proportionate to satisfy themselves that Miss B would be able to sustainably repay the borrowing and that the decision to lend was fair.

Credit limit increases

Prior to increasing the credit limit on Miss B's account, Shop Direct used the income information provided with the initial application and reviewed her CRA data alongside how she had used the account.

CRA data showed Miss B had no recent missed payments, CCJs or defaults recorded. During the first credit limit increase, Miss B's external credit commitments were around £15,000 and required repayments of around £400 per month. Her credit commitments remained similar for the second increase, requiring around £357 of repayments per month. Although no further information was requested about Miss B's income at this point, the increases were within a year of the account opening.

Miss B's account with Shop Direct was well managed. There was limited use on the account with the first order being placed around the time of the first limit increase. Prior to the second limit increase, the account remained below 70% utilisation and payments being made on the account far exceeded the minimum required. The account also had options like BNPL which gave the opportunity to defer payments and avoid interest.

Taking into account Miss B's management of her Shop Direct account and external credit and the level of credit offered, I think that the checks which Shop Direct carried out were reasonable and proportionate in the circumstances of both of these credit limit increases. There continued to be no indication that Miss B was in financial difficulty from the information available and I think that the resulting decisions to lend were fair.

It is also noted that Shop Direct is required to exercise forbearance and due consideration in line with their regulatory obligations. Miss B says that they ought to have conducted further checks before continuing to lend after she entered a debt management plan in 2022.

No further limit increases were provided after April 2021. Although Miss B was able to continue to make BNPL transactions, these were within the existing credit limit, for which proportionate checks had already been carried out. I don't think there is anything after this point which ought to have prompted Shop Direct to look more closely at her financial circumstances elsewhere, such as reviewing CRA data.

Until September 2023, all payments on Miss B's account had been made on time and were typically for amounts much higher than required. The balance was even cleared from December 2021 until a new transaction was made in August 2023. After this first missed payment in September 2023, no further transactions were made. Shop Direct followed their

collections process with a default notice later issued in March 2024 and the debt transferred to an external collection agency in April 2024.

Miss B says she called Shop Direct to say she was in financial difficulty. There is no information available on Shop Direct's file to indicate this took place, and Miss B has also not been able to provide information to support this. On balance, I don't think that Shop Direct would reasonably have been aware of Miss B's financial difficulties and so I don't think they needed to take any further action in this regard.

In reaching my conclusions, I've also considered whether the lending relationship between Miss B and Shop Direct might have been unfair to Miss B 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 Miss B with the credit account or otherwise treat her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 May 2026.

Frances Kerlake
Ombudsman