

The complaint

Miss A complains that Shop Direct Finance Company Limited ('Shop Direct'), trading as Very, irresponsibly granted her credit she couldn't afford to repay and caused her to get into financial difficulties as a result.

What happened

In March 2019, Miss A entered into an agreement with Shop Direct to have access to credit by way of a Very catalogue account. She was given an initial credit limit of £750. This was followed by 3 further credit limit increases: in October 2019 to £1,250; in May 2020 to £1,850 and in November 2020 to £2,350.

Miss A says that Shop Direct didn't complete adequate affordability checks and so failed to ensure she'd be able to manage her card sustainably.

Shop Direct said that part of the complaint had been made too late. This was because the account had been opened more than six years earlier. Also, given that Miss A had credit limit increase requests turned down in November 2019 and May 2020, Shop Direct says Miss A ought reasonably to have realised she might have cause for complaint. So she was also too late under the three-year part of the time limit rules set out with the complaint handling rules we must apply.

Miss A has therefore brought her complaint to this service.

Our investigator didn't recommend the complaint be upheld. Ultimately, she thought Shop Direct didn't act unfairly or unreasonably by approving the granting of the initial credit or the limit increases that followed. For the third and final increase, our investigator correctly pointed out that Miss A had never gone over the amount of the previous credit limit increase, so there was no loss. Whilst our investigator thought Shop Direct ought to have carried out better checks when increasing the credit limits than what we'd seen, she didn't find sufficient evidence or information to show Shop Direct had made unfair lending decisions.

As Miss A doesn't agree with our investigator's finding, her complaint has been passed to me for a decision.

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.

There are time limits for referring a complaint to the Financial Ombudsman Service, and Shop Direct thinks part of this complaint was referred to us too late because the account opening and all of the credit limit increases took place more than six years ago. Our investigator has explained why she has considered that part of the complaint as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974. And

that means that Miss A's complaint about having an allegedly unfair lending relationship between her and Shop Direct has been referred to us in time.

Seeing as I've decided not to uphold Miss A's complaint and given the reasons for this (which I'll go on to explain), whether this complaint partly refers to a lending decision that happened more than six years ago in time or not has no impact on that outcome. I think Miss A's complaint should be considered more broadly than just the lending decision, seeing as she complained not just about the decision to lend but also the impact this had on her over the course of her relationship with Shop Direct. Miss A's complaint in this respect can therefore reasonably be interpreted as a complaint about the fairness of her relationship with Shop Direct.

In deciding what is fair and reasonable I am required to take relevant law into account. Because Miss A's complaint can be reasonably interpreted as being about the fairness of her relationship with Shop Direct, relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974 ("CCA").

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Shop Direct) and the debtor (Miss A), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of her rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given what Miss A has complained about, I therefore need to think about whether Shop Direct's decision to lend to Miss A or its later actions created unfairness in the relationship between her and Shop Direct such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss A's relationship with Shop Direct is therefore likely to be unfair if it didn't carry out proportionate affordability checks, where doing so would have revealed its lending to be irresponsible or unaffordable, and if it didn't then remove the unfairness this created somehow.

When assessing affordability, there isn't a set list of checks that Shop Direct needed to complete, but they needed to be borrower focussed and proportionate to things like the type of lending, the cost of the lending as well as the amount, and how long Miss A would need to be making repayments for to pay off the credit.

Account opening

Before granting the credit, Shop Direct looked into Miss A's financial situation based on what she told them in her application and what it found out about her financial situation. Miss A was in full-time and gave details of her residential status. I've seen details taken from the

credit checks that Shop Direct carried out. The credit check at the point of application showed that Miss A owed £129 in other credit. She had no adverse markings showing on her credit file.

Based on the information Shop Direct gathered and what it knew about Miss A's circumstances, there was nothing to suggest she was likely to be unable to sustainably repay what she was being lent as an opening balance.

Credit limit increases

Turning to the first two credit limit increases, I've seen that there were no issues with the way she was managing her account in the run-up to each increase. The credit reference agency check on each occasion showed she had other existing credit that was worth less than £500. But I agree with our investigator that, given that I can't see what Shop Direct found out about her income at the point of the first and second increase, I can't really say that it did enough to establish that the credit was affordable and capable of being repaid sustainably in view of Miss A's financial circumstances.

Without knowing more about her income when the credit limit was increased together with how it was being used and put towards day-to-day living expenses and her other existing debt, I can't say that Shop Direct did enough by way of a reasonable and proportionate checks before granting the first increase.

Our investigator therefore requested bank statements from Miss A in order to better understand what Shop Direct would likely have seen had it carried out reasonable and proportionate checks for the first and second limit increases. I'm in broad agreement with our investigator that the available information doesn't show or suggest that Miss A might have been struggling financially.

The key issue I am looking at here is whether or not Shop Direct made a fair lending decision for these two credit limit increases. I need to understand what, if anything, Shop Direct might have found out if it completed reasonable and proportionate checks. I'm satisfied Shop Direct made a fair lending decision for these increases.

Having also looked through the available account history, I also don't think Shop Direct acted unfairly or unreasonably in the way it provided support to Miss A after she contacted them about being in financial difficulty May 2024. I see there was an issue about delays when her account was stopped for a while, but this was sorted out and Shop Direct paid her a goodwill payment.

Overall, and based on the available evidence I don't find that Miss A's relationship with Shop Direct is currently unfair. It's not clear enough to me that Shop Direct created unfairness in its relationship with Miss A by lending to her irresponsibly. And I don't find Shop Direct treated Miss A unfairly in any other way either based on what I've seen.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 8 May 2026.

Michael Goldberg
Ombudsman