

## **complaint**

Miss P complains Shop Direct Finance Company Limited gave her credit which she couldn't afford. And it raised her interest rate. She says this amounted to irresponsible lending as proper checks weren't carried out. She wants a refund of interest charges and the remaining balances written off.

## **background**

Miss P tells us she opened two accounts in May 2016 with Very and Littlewoods. At the time she says she had several other credit cards, payday loans and catalogue accounts. And she only paid the minimum payments from these two accounts. She doesn't think proper checks were carried out and the loans were made irresponsibly.

In its final response letter Shop Direct told us it had conducted credit checks which had showed no evidence of default at the time of application and had set a £600 limit on the Littlewoods account. Owing to a late payment in January 2017 - the limit was reduced to £450. It said in August 2017 Miss P made two applications to increase her credit limit - but these were declined.

It said the Very account was also opened in May 2016 - after checks had been conducted - and the limit was set at £600. But due to a late payment in February 2017 this was reduced to £575. Later in 2017 it said Miss P tried to increase her credit limit on this account - but again this was declined.

It said administration charges and interest were correctly applied to the accounts in line with the terms and conditions. And it said there's been no irresponsible lending in this case.

Miss P didn't accept this and complained to us.

The adjudicator did not recommend this complaint should be upheld. She gave a detailed summary of both accounts - including how interest was applied - which I needn't repeat. And she confirmed this was set out in the relevant terms and conditions. She found in both cases the accounts had been opened with a limit of £600 which had never increased. And she said the credit checks carried out had not shown anything of concern such as defaults. Later, when there had been late or missed payments Shop Direct had lowered the respective credit limits. And when Miss P had updated her affordability details this had confirmed her as home owner, without dependents and an annual salary in the region of £36,000. She said when Miss P had applied later in 2017 for credit increases these had been declined - due to some previous late or missed payments.

She felt the checks carried out by Shop Direct and its subsequent actions were reasonable and it hadn't acted incorrectly or irresponsibly.

Miss P didn't agree and said she still felt Shop Direct had acted irresponsibly in opening two accounts at the same time. She wanted an ombudsman to make the final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I can see this issue is a matter of importance to Miss P and I'm sorry if she's experienced any financial difficulties. But until this complaint was brought I can't see Shop Direct was made aware of any such concerns. The odd missed or late payment isn't itself an indication of financial difficulty. And can very often be overcome by rearranging the dates on which payments are made - so as to more readily match the pattern of income of an individual customer.

Before granting credit a lender must make adequate checks on income and expenditure - and these should be proportionate to the amount of credit being offered. Shop Direct carried out checks including how existing debt is being handled. It discovered no concerns such as defaults and as the information it found meant Miss P's application fell within its criteria for lending the applications were approved. As the level of credit granted was £600 for both accounts - this seems relatively modest for a person in Miss P's declared circumstances.

There's nothing inherently wrong in different arms of the same business granting simultaneous credit provided the proper checks are conducted. And as far as I can see Miss P managed her account responsibly. There's nothing based solely on the payment history which would cause me to say she was experiencing financial difficulties. And whilst she's said she only made minimum payments - the accounts show there were occasions when more than the minimum was repaid. When Miss P updated her affordability details these showed an above average income and no dependents.

I've seen Miss P's credit file covering the period when these loans were granted until the present time. My impression was of someone who - whilst frequently making use of credit - appears to have done so in a controlled manner and within her means to repay. So I'm sure she would have seemed a suitable candidate to be offered credit. A decision which seems justified by subsequent account behaviour. And I agree with the adjudicator's findings that interest and charges were applied in line with the terms and conditions.

In summary, I've seen no evidence that indicates these loans were unaffordable or granted irresponsibly at the time they were made. And it's up to Miss P how she manages her financial situation. But I find it somewhat surprising to be dealing with a complaint about unaffordable and/ or irresponsible lending when in the months following the granting of credit I've been shown evidence of applications by her for increased limits on these accounts.

So whilst I'm aware it will come as a disappointment to Miss P I'm in agreement with the adjudicator and for broadly the same reasons this complaint should not be upheld.

As Shop Direct is now aware Miss P has raised the issue of financial difficulty with them I'd expect it to treat her positively and sympathetically. This means it should offer to work with her to find a way of finding the most appropriate means of paying these debts.

### **my final decision**

For the reasons given above my final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 13 September 2018.

Stephen D. Ross  
**ombudsman**