

complaint

Mr G has complained Shop Direct Finance Company Limited lent to him irresponsibly.

background

Mr G opened an account with Shop Direct in November 2010 and was given a credit limit of £1,000.

He doesn't think Shop Direct should have opened an account for him. It should've checked his credit record and would've seen he had recently missed payments and had a heavy use of payday loans. There were also defaults, arrears and over limit charges.

Shop Direct later increased his credit limit a number of times. Within three years his credit limit stood at £2,650. Mr G says at the time he was using a very high level of his credit limit. This should've led Shop Direct to realise he couldn't repay his balance within a reasonable time.

Mr G also says if Shop Direct had properly checked his credit record before increasing his credit limit it would've seen he had additional late payment markers and defaults. And he'd taken out a lot of other credit. This should've warned Shop Direct he was struggling with his finances and it wasn't responsible to lend him more. Mr G believes by increasing his credit limit Shop Direct made his financial position worse.

Mr G says he wants Shop Direct to refund all the interest he paid and any late payment charges and fees it charged him. And he says he wants any late payment and default markers to be removed from his credit file.

Shop Direct says a credit check was carried out when Mr G opened his account. It also took regular updates of his financial situation from a credit reference agency, including how his other accounts had been conducted and the number of recent applications he'd made to other lenders. And they continued to review his usage regularly before increasing his credit limits. At the time his credit limit stood at £2,650, Mr G had never been in arrears and he'd shown no signs of any financial difficulties. Shop Direct doesn't believe it did anything wrong.

Shop Direct says as soon as Mr G fell into arrears it stopped allowing any further orders and it only ever decreased his credit limit. So, it says it doesn't believe any irresponsible lending has taken place.

Mr G brought his complaint to the ombudsman service.

Our investigator reviewed the evidence. He felt Shop Direct had carried out sufficient checks and hadn't lent irresponsibly. He also pointed out that as Mr G's application took place more than six years ago, this service had no power to look at that part of Mr G's complaint.

Mr G disagreed with the investigator's conclusions. His complaint has been referred to me to make a 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. Having done so, I've reached the same conclusion as our investigator. I'll explain why.

There are a few strands to Mr G's complaint and I've considered all of these.

does this service have the power to look at this complaint?

I agree with the investigator that we can't look at one aspect of the complaint – whether Shop Direct should have opened the account in the first place. Our powers are set out in the Financial Conduct Authority's Handbook on *Dispute Resolution: Complaints*. These say there are time limits for people to bring complaints to us. I am not able to look at a complaint if it's brought to us more than six years after the event took place or three years after a customer would have known they had reason to complain.

Mr G's complaint is being lent to irresponsibly. He feels that started when his account was opened in November 2010. There's no doubt that this account was opened more than six years before Mr G complained to Shop Direct in September 2017.

The other test is whether more than three years has passed since Mr G knew he had cause to complain. Mr G has said he hadn't realised until the middle of 2017 that he could challenge Shop Direct for lending irresponsibly. Whilst he knew he was in difficulties and was having problems managing his finances, he feels there's a big difference between knowing that and believing he could complain to Shop Direct. But I don't agree.

Mr G has told us he was surprised Shop Direct lent money to him in the first place because of his financial difficulties. But I've seen nothing which shows Mr G ever raised concerns about his financial difficulties with Shop Direct at the time he opened his account or later. I think because Mr G always knew he was in financial difficulties, he always had cause for complaint certainly well before the three year time limit (whilst his account was still open). I don't think it's unreasonable to conclude he's brought his complaint to this service outside of our timescales.

Overall I don't have the power to consider whether Shop Direct lent irresponsibly when they opened his account in 2010.

do the credit limit increases amount to irresponsible lending?

When we consider irresponsible lending complaints, we consider two aspects. Did the business carry out enough checks and were the credit limit increases affordable?

I can see Shop Direct regularly reviewed the status of Mr G's credit record and how Mr G conducted his account before increasing his credit limit. There's no doubt Mr G regularly borrowed from payday lenders – and had historical defaults on his credit record – but this fact alone doesn't mean Shop Direct couldn't increase his credit limit. They're allowed to consider what criteria are important to them when they make lending decisions. They believed his account behaviour, including making payments, showed he could manage his lending.

Mr G doesn't believe Shop Direct reviewed his credit record but the evidence shows they did.

I don't think there was anything in Mr G's account behaviour which would have set off alarm bells with Shop Direct. Mr G had his account for nearly three years before the level of credit he used went over £1,000 and he met his regular monthly payments. In fact as soon as Mr G fell into arrears, Shop Direct started to reduce his credit limit. But even at the height of his usage of his Shop Direct account, Mr G never used more than two-thirds of the credit available to him.

Overall I think Shop Direct carried out sufficient checks in proportion to the lending they offered Mr G. Nor have I seen anything to show the credit limits Mr G were given amounted to irresponsible lending.

my final decision

For the reasons I've given, my final decision is not to uphold Mr G's complaint against Shop Direct Finance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 21 May 2018.

Sandra Quinn
ombudsman