

complaint

Mr B complains that Shop Direct Finance Company Limited ("Shop Direct") acted irresponsibly in giving him a credit account.

Mr B is assisted in his complaint by his father.

background

Mr B made an online application for a credit account in January 2013. Shop Direct carried out a credit search for him. This was satisfactory so Mr B was given an account with a credit limit of £600. Mr B is a student with no income, other than a student loan.

Mr B used the account, but had difficulty making the repayments that were due. Because of this, his credit limit was reduced to £475 in March 2013. Mr B's father made a complaint to Shop Direct in July 2013 that it had acted irresponsibly in allowing his son to open an account. He pointed out that his son had no income as he is a student.

Shop Direct did not agree with the complaint. It said that Mr B had passed its credit checks before the account was opened. Mr B was not happy with this response and brought a complaint for us to consider.

The adjudicator did not recommend that the complaint should be upheld. He considered that Shop Direct carried out an assessment of affordability. It did a credit search and applied a credit score. This indicated that Mr B would be able to make the payments due. The adjudicator considered that because of this, Shop Direct did not need to check his income level.

Mr B is not happy to accept the adjudicator's recommendation. He says, in summary, that Shop Direct did not exercise a duty of care when it gave him a credit account. It should have checked his assets and ability to make repayments.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

When Mr B applied for a credit account with Shop Direct, it was required to ensure that the application went through a sound and proper credit assessment. It is not for me to determine or stipulate the exact nature of the checks a financial business must undertake before taking any individual decision to provide credit.

Shop Direct has explained that it provided the credit facility after having undertaken a credit score which involved it assessing external data held by credit reference agencies. This search showed no derogatory data against Mr B. Further there was no record of arrears, and no recent credit searches had been carried out. As such, Mr B passed Shop Direct's lending policy rules.

Given that Mr B's credit file did not indicate that he would have a problem making repayments under the account, I do not consider that Shop Direct needed to look into Mr B's specific financial circumstances.

Whilst I note that Mr B's only income was from student loans and payments from his parents, I am not persuaded that Shop Direct acted unreasonably in agreeing to give credit on the basis of information shown in the credit search. I agree with the adjudicator that the level of credit was not high, and it is not unusual for a student to buy a laptop on credit to help with their studies.

I find on balance that Shop Direct's decision to agree to provide Mr B with the credit facility was not unreasonable – nor do I consider that it amounts to irresponsible lending. There does not appear to be any dispute that Mr B received the benefit in terms of the goods he bought with the credit he was provided with. Consequently, I do not consider it would be fair or reasonable that he should not be held responsible for repaying the outstanding debt.

my final decision

My decision is that I do not uphold this complaint.

Rosemary Lloyd
ombudsman