

The complaint

Mr O is complaining that Shop Direct Finance Company Limited trading as Very lent to him irresponsibly by providing him with, and then increasing the credit limit on, a catalogue shopping account.

What happened

In April 2020, Very approved Mr O's application for credit, giving him a credit limit of £750. They increased the limit to £1,150 in October 2020 and £1,650 in April 2021, before reducing it in January 2022 and again subsequently.

Mr O complained to Very in March 2023. When he didn't receive a response from them, he brought his complaint to our service, saying Very had lent to him irresponsibly because he was already in a difficult financial position when they lent to him.

In response, Very told us they'd undertaken appropriate checks and considered all relevant data when deciding to lend to Mr O. They also said they'd carried out an assessment before each credit limit increase and reduced Mr O's credit limit when appropriate. Very added that Mr O had never been in arrears and regularly made payments in excess of the minimum. So they didn't uphold his complaint.

One of our investigators looked into Mr O's complaint but didn't uphold it. In summary, his view was that Very had done proportionate checks before lending to Mr O and before increasing his credit limit and had acted fairly in approving the finance.

Mr O wasn't happy. He said he'd seen similar cases where we'd upheld the complaints. He added that it's possible the credit was affordable at inception but the credit limit increases in particular caused him financial difficulties. Mr O asked for an ombudsman's decision – and the matter's come to me.

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.

Having done so, I'm not upholding Mr O's complaint for broadly the same reasons as our investigator – I'll explain more below. I appreciate this will come as a disappointment to Mr O, particularly given he feels our service has previously upheld complaints similar to his. I look at each complaint on the individual merits and circumstances of that complaint, so I can't comment on other cases Mr O may have seen.

What's required of lenders?

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further

to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did Very carry out proportionate checks?

April 2020

Before deciding to lend to Mr O, Very asked him for his gross salary and household income. They used a credit reference agency (CRA) to check his income, which was Mr O had said was £32,000 per year.

Very also looked at Mr O's credit file and said this gave them no concerns. Their report shows no county court judgments (CCJs) or defaults. It shows Mr O had a large number of credit accounts, but with a total credit limit of £2,100 and total revolving credit balances of around £1,000. It also showed Mr O had a mortgage at the time.

Looking at Mr O's own credit report which provides more detail, I also can't see anything which I'd expect to have caused concerns for Very. Whilst he used credit often, most lines of credit were settled early and there were very few late payments at all on his credit file, with no recent ones. His monthly credit commitments weren't substantial compared to his net monthly income. And the credit report shows his mortgage was a joint account.

Very were approving a credit limit of £750. As it was revolving credit, there's no set amount that needed to be repaid each month, but CONC 5.2A.27 R requires a firm to assume when carrying out its assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. It's not clear what assumptions Very made, but I'm satisfied they could have reasonably assumed Mr O would need to pay them around £50-£100 per month.

Because Mr O's net monthly income was around £2,000, I'm satisfied it was proportionate for Very to carry out a credit check and an automated income check. I've seen nothing from the results of those checks to suggest they should have done any more than that.

October 2020

By October 2020, Mr O had had his account with Very for six months. His account history shows he was paying significantly more than he needed to each month, was well within his credit limit, and that he had no arrears or late payments in that six-month period.

Very checked Mr O's credit file with two different CRAs. This showed he'd opened one additional account in the previous three months, had no current late payments, and that the total balance across his active accounts was around £5,000, with around £430 of this across his credit cards. It also showed his average utilisation of his credit card limits across the preceding 12 months was around 60%. So, in summary, the credit file didn't show any concerns. There was nothing to suggest Mr O's income might have changed. And the limit increase of £400 wouldn't have required a significant increase in his monthly payments to Very. On balance, I'm satisfied Very carried out proportionate checks.

April 2021

Again, Mr O's account history with Very showed no concerns – he was well within his credit limit, had made all his payments on time, and although he had started to accrue interest, he still paid more than the minimum payment in some months.

Very checked Mr O's credit file again. This time, his total credit balances had increased significantly (to around £19,000) since October 2020 – but they'd also reduced by nearly £2,000 when compared to the previous month. So although there were suggestions Mr O might be increasingly dependent on credit, there were still no signs of any payment difficulties, and Mr O continued to operate well within his credit limits. Again, Very's credit limit increase of £400 wouldn't have required a significant increase in Mr O's monthly payments and I'm satisfied Very carried out proportionate checks.

Did Very make fair lending decisions?

Having decided that Very carried out proportionate checks, I have to consider whether they made fair lending decisions on each occasion.

In April 2020, Mr O was earning around £2,000 per month net. His joint mortgage payment was around £700 per month and his credit file shows he had other monthly credit commitments of around £400 including credit card repayments. Given his mortgage was joint, that suggests he'd be left with at least £1,200 per month in disposable income to cover other living costs and non-discretionary expenditure. So I'm satisfied Very made a fair lending decision.

In October 2020, Mr O's credit file suggests his monthly credit commitments had reduced to around £200 per month on top of his mortgage. In April 2021, this figure looked to be back up to around £400. So at the times of both credit increases, the data Very had gathered suggested Mr O would still have at least £1,200 per month in disposable income to cover other living costs and non-discretionary expenditure. So I'm satisfied Very made fair lending decisions on both occasions.

I've not seen any evidence that Very have acted unfairly or unreasonably towards Mr O in any other way. It follows that I'm not upholding his complaint.

My final decision

As I've explained above, I'm not upholding Mr O's complaint about Shop Direct Finance Company Limited trading as Very.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 14 February 2024.

Clare King
Ombudsman