

The complaint

Miss B, who is represented by a third party, says Shop Direct Finance Company Limited ("Shop Direct"), trading as Very, irresponsibly lent to her.

What happened

Miss B opened a shopping account with Shop Direct in September 2016. Her account limit was initially £250. It was then increased on six occasions between December 2016 and October 2018 when it reached £2,600.

The account fell into arrears in August 2021 with the last payment being made to the account in September 2021. The account went into default in March 2022 and was transferred on to a third party in April 2022.

Miss B says that Shop Direct shouldn't have lent to her and that the loan became unsustainable for her, given that she couldn't keep up with the payments.

Shop Direct says it did all the necessary checks before it lent to Miss B – and each time when it increased her credit limit.

In my provisional decision dated 23 October I explained why I wasn't intending to uphold this complaint. I set out an extract below:

"When Miss B opened the account, Shop Direct has told us there were no signs of financial difficulties based on the checks it did. Miss B gave us some limited information from her credit report which doesn't show or suggest that it would have been unreasonable for Shop Direct not to have approved the account. I can't see that Shop Direct asked about Miss B's sources of income at the time. That's something that may have helped it begin to build a better picture of Miss B's financial circumstances. But even if it had, at this stage I don't think it would have made a difference to its decision to grant the credit.

Looking at the series of credit limit increases Shop Direct gave Miss B, I agree that it would have been helpful for Shop Direct to have found out more about Miss B's financial situation on each occasion so that it could verify her regular income and committed expenditure. But I don't think the information we have about Miss B's financial situation at the time is enough for me to be able to find that had Shop Direct carried out additional proportionate checks, it would have found all these credit limit increases to be unsustainable.

Our adjudicator explained why he thought Shop Direct shouldn't have provided Miss B with any further increases in credit from April 2018 onwards. This was because Miss B was making repayments that were steadily increasing in size in terms of the minimum payment required - £114 in April 2018. Shop Direct didn't agree. In particular it pointed out that Miss B only started getting into difficulty with her credit in 2020 and didn't record any arrears until 2021. It also said that Miss B appeared to have been managing her account well. Also, credit checks it ran a year earlier, in April 2017, had suggested she was receiving an annual income of around £28,000.

Whilst I can see that Miss B's account balance had increased steadily in line with the limit increases, I don't think that in itself is enough to show that her overall financial situation was deteriorating. Having carefully reviewed the bank statements she's given us, I can see that Miss B was receiving an income that was typically somewhere between £1,800 and £2,000 each month. I've noted her other credit commitments and can see that her Shop Direct account was the one where she had the largest balance. Whilst her expenditure exceeded her income in some months, this was not a worsening pattern. It looks to me that Miss B was able to continue repaying the account whilst also being able to meet other credit and daily expenses whilst also being left with sufficient disposable income. On the odd occasion that she used her overdraft, it was only minimally and for a short period of time.

It follows that I currently don't consider that I can make a finding that Miss B was struggling with her account, either in April 2018 or when the last credit limit increase was granted in October 2018. I've so far seen no other evidence or information to show or suggest that Miss B was getting into financial difficulty at around this time. So I also don't currently consider that had Shop Direct carried out additional proportionate checks, it likely would have found her credit limit increases to be unsustainable for her to manage. I say this having carefully reviewed all the information Miss B has sent us about her financial situation.

So, in the specific circumstances of this complaint, I currently don't think Shop Direct's actions, first in opening the account and then in increasing the credit limits, would have caused Miss B to lose out. And I'm not persuaded that further enquiries into Miss B's financial circumstances would have been likely to lead Shop Direct to conclude that it should have taken a course of action that was significantly different to what it did.

In summary, although I can't definitely say Shop Direct's actions were necessarily appropriate in all respects, as things currently stand I won't be making any award as I don't think Miss B was caused any loss as a result."

Neither party has responded to my provisional decision, although the third party representing Miss B has confirmed receiving it and that it was sent to Miss B to see if she wished to add anything. However, there has been no response within the time limit I have set.

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.

Shop Direct will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Given that neither party has anything further to add, I see no reason to change the findings I set out in my provisional decision. I therefore don't consider that Shop Direct acted unfairly or unreasonably, either in granting the opening credit or the subsequent credit limit increases.

My final decision

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 5 December 2023.

Michael Goldberg
Ombudsman