

The complaint

Miss B complains that Shop Direct Finance Company Limited, trading as Very ("Shop Direct"), lent to her irresponsibly.

What happened

Miss B applied for a shopping account with Shop Direct in June 2013. The catalogue shopping account was opened with a credit limit of £400. Over the following four years to April 2017 Miss B's credit limit was increased a total of 12 times, with the highest limit being £7,000.

Miss B says that she struggled with the repayments. She intimates that she was in financial difficulty and had a very low income. She asks Shop Direct refund her the interest and charges on her payments.

Shop Direct accepted that it shouldn't have increased Miss B's credit limit in July 2015 and beyond. It offered to pay back the interest and charges on balances above £3,000. Our investigator didn't uphold Miss B's complaint. He couldn't identify anything Shop Direct had done anything wrong in its lending decisions up to July 2015.

Miss B disagreed. As Miss B did not agree the complaint has been passed to me to make a decision.

Miss B also disagreed with the refund offered by Shop Direct in relation to her balance above £3,000. Our investigator checked the calculations with Shop Direct and was satisfied they were correct. If Miss B remains dissatisfied with the calculation she must make a formal complaint to Shop Direct. Once that complaint is addressed by Shop Direct, Miss B may make a complaint about that specific matter to this service if she remains unhappy.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Miss B's complaint.

Having done so, I've come to the same conclusion as our adjudicator. I haven't seen evidence that Shop Direct acted unfairly and lent to Miss B irresponsibly. I'll explain why I've reached this conclusion.

Shop Direct needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss B could afford to repay what she was being lent in a sustainable manner. These checks could

take into account a number of different things, such as how much was being lent, the repayment amount, Miss B's borrowing history and her income and expenditure.

Shop Direct has provided a list of the checks it completed when opening Miss B's account. It says these show that it was reasonable to lend to Miss B in the way that it did. I can see from this list that Shop Direct saw that Miss B was currently in default on two other credit accounts. Our investigator didn't think that this ought to have caused concern and made Shop Direct do other checks.

I disagree. I think that was enough to indicate Shop Direct ought to have done further checks on Miss B's income and expenditure. Similarly, our investigator didn't think Shop Direct needed to do further checks when it increased Miss B's credit limit up to £1,200. While I disagree with our investigator on this point it doesn't ultimately make any difference to the outcome of Miss B's complaint for reasons I shall explain.

When Miss B's credit limit was increased to £1,500 our investigator thought that Shop Direct ought to have verified Miss B's income and expenditure. This was in March 2014.

Shop Direct hasn't been able to provide evidence of any checks it did. This isn't surprising given the length of time which has passed. As I think Shop Direct ought to have at least checked Miss B's income and essential expenditure, I think it's reasonable to rely on the evidence provided by Miss B from her bank statements to work out what Shop Direct might have found out.

Unfortunately, Miss B has only been able to provide statements from April 2015 onwards. Shop Direct has upheld Miss B's complaint from July 2015. There were no credit limit increases between April 2015 and the increase in July 2015.

In the absence of any earlier information, I can't be satisfied Shop Direct did anything wrong. Miss B submits that she was a student from 2014 to 2017 so I should rely on the bank statements provided to show what her finances would have been like. Miss B says that she disagrees that she should have to provide evidence when Shop Direct hasn't been able to provide evidence of the checks it did. Miss B also says that the fact Shop Direct increased her interest rate shows that it must have had concerns about her ability to repay.

I do not think it's unreasonable for Shop Direct to be unable to provide information from more than eight years ago. In the same way, I don't think it's unreasonable for Miss B to not be able to provide her bank statements. But the onus is on Miss B to show that Shop Direct did something wrong and if it had acted fairly that she wouldn't have lost out. Without evidence of Miss B's circumstances, I cannot find in her favour. Where there has been evidence available, Shop Direct has upheld her complaint.

This means that, on balance, I can't be satisfied that Miss B lost out as a result of anything Shop Direct did wrong.

My final decision

For the reasons I have set out above I do not uphold Miss B's complaint. It follows that Shop Direct Finance Company Limited, trading as Very, does not have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 16 August 2023.

Sally Allbeury
Ombudsman