

Complaint

Mrs H has complained that Shop Direct Finance Company Limited (trading as “Very”) irresponsibly provided her with a catalogue shopping account which it then increased her credit limit on, in circumstances where she couldn’t afford this.

Background

This complaint is about a catalogue shopping account Very initially provided to Mrs H in September 2018. Mrs H was initially given a credit limit of £600. This limit was then increased on four occasions at the following times:

April 2019 - £1,000.00
August 2019 - £2,000.00
October 2019 - £2,250.00
January 2020 - £2,650.00

One of our investigators looked at everything provided and did not think that proportionate checks would have shown Very that it shouldn’t have provided Mrs H with a catalogue shopping account or the credit limit increases. So he didn’t think that Mrs H’s complaint should be upheld.

Mrs H disagreed with our investigator’s conclusions and asked for an ombudsman to review her complaint.

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 carefully considered everything, I’ve decided not to uphold Mrs H’s complaint. I’ll explain why in a little more detail.

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.

Very needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs H 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 amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Very should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs H's complaint.

Mrs H's account was opened in September 2018 with a credit limit of £600. The catalogue shopping account Very provided Mrs H with was a revolving credit facility. This meant that Very was required to understand whether Mrs H could repay £600 within a reasonable period of time.

Very carried out a credit check before initially agreeing to provide this account. Very has provided the details of the credit check that it carried out which showed that Mrs H had some defaulted accounts but that these were historic. Her active credit accounts were being well maintained and her balances were low.

I accept that Mrs H disputes this. However, what is important to note is that a credit limit of £600 required relatively small monthly payments in order to clear the full amount that could be owed within a reasonable period of time. And I've not been provided with any clear evidence to show that Mrs H circumstances were such that I could reasonably conclude that she didn't have the funds to make the very low monthly payment required for such a credit limit.

As this is the case, I'm satisfied that it wasn't unreasonable for Very to have agreed to this account. And I find that Very didn't treat Mrs H unfairly when it initially opened Mrs H's account with a credit limit of £600 in September 2018.

As I've explained in the background section of this decision, Very increased Mrs H's credit limit on four occasions until it eventually reached £2,650.00 in January 2020. I'll now proceed to set out my thoughts on these increases.

At the time of the first limit increase in April 2019, Mrs H's credit limit was being increased to £1,000.00. So I would have expected Very to have found out more about Mrs H's income and expenditure (particularly about her regular living expenses) before providing this and any further credit limit increases.

As Very has been unable to evidence having done this in this instance, I don't think that the checks it carried out before it provided the April 2019 limit increase as well as the subsequent ones were reasonable and proportionate.

I've therefore looked at the information Mrs H has provided about her circumstances to get an idea of what Very is likely to have learned had it carried out further enquiries into what Mrs H paid towards living costs.

Given what Mrs H has said in response to our investigator's assessment, I want to be clear in saying that I've looked at and considered the content of the current account statements Mrs H has provided, even though they were provided later than the deadline initially considered. In doing so, I accept that Mrs H's actual circumstances may not been fully reflected in the information she may have provided. And I've also thought about what Mrs H has said about her finances being in a difficult position.

However, the statements provided do show that Mrs H was receiving regular funds and when her regular living costs and non-discretionary expenditure is deducted from what she received, Mrs H does appear to have enough in funds left over to make the increased repayments needed for the credit limit increases offered.

Furthermore, while I've thought about what Mrs H has said about her overdraft usage, I don't think that Mrs H using her overdraft means that she shouldn't have been lent to. I say this particularly bearing in mind Shop Direct's credit checks showed that Mrs H's overall level of outstanding debt was low at the time the limit increases were provided. If Mrs H is unhappy at the way that she was allowed to use her overdraft this is a matter that she will have to take up with her bank rather than with Very.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Very that it shouldn't have provided this account to Mrs H.

As this is the case, I'm satisfied that Very acted fairly and reasonably towards Mrs H when initially providing her with a catalogue shopping account and the subsequent credit limit increases. And I'm therefore not upholding Mrs H's complaint. I appreciate this will be very disappointing for Mrs H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 10 June 2024.

Jeshen Narayanan
Ombudsman