

## **The complaint**

Mr H complains that Shop Direct Finance Company Limited, trading as very, irresponsibly provided him with a store card account, and credit limit increases (CLIs), that he couldn't afford.

## **What happened**

In October 2020, Mr H obtained a store card account with Shop Direct. The credit limit was set at £750 and this increased to £1,150 in March 2021 and £1,650 in August 2021.

In 2023, Mr H complained to Shop Direct that it had lent to him irresponsibly, causing him financial difficulty and poor mental health.

Shop Direct didn't uphold the complaint. It said it had carried out appropriate checks which showed Mr H could afford the credit it had provided him with.

Unhappy with Shop Direct's response, Mr H complained to this service. Our investigator didn't recommend that Mr H's complaint should be upheld. They believed, in essence, that Shop Direct should have carried out more checks regarding the first CLI but that, ultimately, none of the lending decisions it had made on the account were unfair.

Mr H didn't agree with the investigator's findings. He mentioned having multiple lines of credit open by the time of the first CLI, making repayment of the store card account unsustainable for him. As such, the complaint was passed to me to review afresh.

## **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 don't uphold this complaint. I'll explain why.

Shop Direct was required to complete proportionate affordability checks prior to advancing credit to Mr H. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, Shop Direct needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Mr H's personal circumstances.

I can see that Shop Direct did obtain some information about Mr H's financial circumstances at the start of the account in 2020 and regarding the second CLI to £1,650 in August 2021. For example, the checks carried out by the credit reference agencies (CRAs) Shop Direct instructed showed no signs of adverse information on his credit file such as arrears, defaults, or County Court judgments (CCJs). And, by the time of the second CLI, Shop Direct had gathered almost a year's data on how Mr H had been managing his existing account up to that point. The signs were that Mr H was coping financially, including with his existing levels of credit.

Given the information Shop Direct held, I don't see reasonable cause for it to think the lending it was providing was unaffordable for Mr H on those occasions.

Shop Direct carried out checks in relation to the first CLI too. Although by that time Mr H's external debt had increased, as he points out. He had just under £13,000 to pay in loans and owed around £1,900 on his credit cards.

I think it would have been reasonable for Shop Direct to investigate Mr H's financial situation further in the circumstances to satisfy itself that he could sustainably repay the revised credit amount. But that, in itself, doesn't mean that Shop Direct should compensate Mr H for the additional lending. For that to happen I'd also need to be satisfied that the lending in March 2021 was unaffordable for Mr H given his circumstances at that time.

To help me determine on balance what those circumstances were, I've reviewed Mr H's bank statements in the months prior to Shop Direct's decision to apply the first CLI. They suggest to me that the loan repayment amounts obtained by the CRA at the start of the account were fairly accurate. And that relatively low rent payments and credit card repayments meant Mr H had the available disposable income to be able to afford the additional credit Shop Direct was offering.

I've thought carefully about everything Mr H has told us, including that he regularly used his overdraft facility and other high interest credit. While these can sometimes indicate financial difficulty, I haven't seen enough on this occasion to support that he wasn't largely managing his existing lines of credit to the extent that he wouldn't be able to cope with the first CLI. I believe that's reflected in Mr H's levels of external debt falling by the time the second CLI was applied.

Taking all of this into account, I don't think it was unfair of Shop Direct to have lent to Mr H in 2020 and 2021.

### **My final decision**

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 January 2024.

Nimish Patel  
**Ombudsman**