

The complaint

Ms S complains that Shop Direct Finance Company Limited trading as very ('Shop Direct') irresponsibly gave a credit account that she couldn't afford.

What happened

Ms S had four accounts with Shop Direct across three different brands. In 2022, Ms S complained to Shop Direct to say that the accounts shouldn't have been opened for her because it wasn't affordable and that Shop Direct ought to have made a better effort to understand her financial circumstances before providing her with credit.

Shop Direct did not uphold the complaint. Ms S disagreed and brought her complaint to this service. Our investigator thought this was a complaint that should not be upheld on three accounts but thought they had seen sufficient evidence to uphold the complaint in part on one of the accounts. Shop Direct didn't agree. So, the complaint was passed to me to decide.

I issued my provisional decision in respect of this complaint on 11 August 2023, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why, despite agreeing with almost everything our investigator said, I didn't agree with an aspect of the investigator's view and that it was my intention not to uphold Ms S's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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.

Our investigator explained why he thought there was no redress due on the two Littlewoods accounts or the Marshall Ward account. I agree entirely with the outcome reached by our investigator about those cases and for exactly the same reasons he provided. And it seems that both of the parties in this complaint also agree with those findings, as there has been no disagreement with the investigator's points on those accounts from anyone, or any comment about them at all. So, I think it is reasonable to say, as I have above, that I agree those findings and in the absence of any argument about them, to focus this decision on the fourth account, the one with Very. If either party presses me to say more about the first three accounts, I can, of course, address that in my final decision.

For the Very account, our investigator thought the credit limit increase in February 2019 was unaffordable. No argument has been made for an uphold earlier in the account. Ms S's complaint is that Shop Direct made credit available that was unaffordable. It's possible that Shop Direct failed to make adequate checks before providing Ms S with credit. But even if that's true, I have seen insufficient evidence to think better enquiries would have caused Shop Direct to think the credit was unaffordable. I explain why I say that below.

It is not straightforward trying to determine affordability because neither party has provided much in the way of credit information from the times. And I have not seen a full credit report that covers the time. So, I have no way of knowing the volume of any credit Ms S may have had or how Ms S was managing any existing credit she had at the time the lending decisions were made. I do have what Shop Direct have told me they ascertained about Ms S at the time of the credit increase in February 2019. Shop Direct said that they had no evidence of any significant adverse credit on the checks they performed at that time. And I have noted that there was only one administrative charge on that account in the seven months prior to the credit increase. So, I'm not persuaded that Shop Direct should have avoided the credit increase from this information.

I have also considered how the account was being managed. Whilst there was some administrative charges on the account at various times, I note that there was no administrative charges on the account in the four months before the credit increase in February 2019. So, there was no reason not to award the increase based on how Ms S was managing her account at that time. And taking a longer view there was only one administrative charge in the seven months prior to the credit increase. It is true that if we go further back the picture is less clear. But the immediate history suggested that Ms S was managing her account better than she had done historically. So, I have attached less weight to this than our investigator did. I think the immediate account history is insufficient to make the credit limit automatically unreasonable.

And I see no reason why that same information would have led them to want to make further study of Ms S's expenditure. But had Shop Direct seen the bank statements that Ms S provided us from that time I don't think that would have led them to avoid the credit increase. I say that because I've considered the statements for the three months before the credit increase. These seem to show that the money passing into Ms S's account largely matched the money passing out of the account. And the account was being managed within a broadly steady balance. I note that the balance at the beginning of November 2018 was largely the same balance at the end of January 2019.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Ms S to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Shop Direct to think that the credit it provided Ms S was unreasonable in February 2019.

Subsequently, there was only one further increase to a credit limit. This happened in November 2022 when the credit limit increased from £850 to £1,000. But I note that after that increase the credit balance never rose above £300 so I don't think Ms S has suffered detriment as a result of that increase.

I know that Ms S will be disappointed, but I want Ms S to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint or ask Shop Direct to make any award."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 25 August 2023. Shop Direct responded acknowledging receipt of

my provisional decision. They said they have nothing further to add. Ms S has acknowledged receipt of the provisional decision and has told us she accepts my provisional findings.

As both parties have acknowledged receiving my provisional findings, and both parties have accepted those findings, I am proceeding to my final decision.

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.

As Ms S has accepted my provisional findings and as neither party has provided any further submissions for me to consider, I have no real new information to consider following my provisional decision. That being the case, I have no reason to depart from those findings. And as I've already set out my full reasons (above) for not upholding Ms S's complaint, I have nothing further to add.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 20 September 2023.

Douglas Sayers
Ombudsman