

## **The complaint**

Miss K complains that Shop Direct Finance Company Limited ("Shop Direct"), trading as Very, irresponsibly gave her a running account credit facility she couldn't afford.

## **What happened**

In November 2020 Miss K was granted a credit account, having had a non-credit account since November 2015. She was given an initial credit limit of £250. The credit limit was not increased during the life of the account. Shop Direct told us that the account went into arrears in December 2021. The account went into default in June 2022 and in July 2022 the account was sold to an external debt collection agency.

Miss K complained to Shop Direct to say that the account shouldn't have been opened for her because it wasn't affordable and she had a poor credit history.

Our investigator didn't recommend the complaint be upheld. Miss K didn't agree. So, the complaint has been passed to me to decide.

## **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.

Miss K's complaint is that Shop Direct made credit available that was unaffordable for her. Shop Direct has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer. It's possible that Shop Direct failed to make adequate checks before providing Miss K with credit. But even if that's true, I don't think better enquiries would have caused Shop Direct to think the initial credit limit was unaffordable.

I say this because Miss K's income at this time was around £30,000 with a net monthly income of around £2,000. Also, the credit was provided when there was no recent adverse information on Miss K's credit file – the most recent being two years previous to her application for the credit. The evidence gathered by Shop Direct showed she had other credit commitments that totalled around £2,600. But the overall picture was that Miss K's financial situation was generally under control. And given that the initial credit limit was reasonably modest, the maximum monthly payments for that credit would have been relatively modest too.

Miss K says that she had other borrowing and a poor credit history. I realise that Miss K may have been juggling other debt at the time she applied for the account, but I think that's

another reason why Shop Direct likely chose to offer an opening credit limit that was small. Having carefully reviewed this file, and taken note of other complaints Miss K has made to this service, including the credit file she provided, I haven't seen anything that persuades me that Shop Direct would or should have seen that her financial circumstances when she applied for this account were such that providing her with a revolving credit facility of £250 could be seen as unreasonable. And in the absence of other information from Miss K, I have seen insufficient evidence to think that a more thorough affordability check would have led Shop Direct to think that it should not have issued credit to Miss K at that time.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that a more thorough affordability check would have led Shop Direct to think that the credit limit it provided Miss K was unreasonable.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 November 2023.

Michael Goldberg

**Ombudsman**