

## **The complaint**

Mrs R complains that Shop Direct Finance Company Limited, trading as Very and Littlewoods ("Shop Direct"), lent to her irresponsibly.

## **What happened**

Mrs R applied for a shopping account with Shop Direct in October 2001 and for a second account in February 2007. The second account was not initially owned by Shop Direct. That only happened in June 2008 when Shop Direct acquired the accounts of another business.

Mrs R complained to Shop Direct that the lending had been unaffordable for her.

Shop Direct responded and partially upheld her complaint. It said that it upheld her complaint from the credit limit increase made on 19 January 2008 in relation to her first account (x6453) and from 16 September 2008 in relation to her second account (x0921). In relation to the first account, Shop Direct said it would refund interest and charges on balances above £575.

Mrs R disagreed with the redress Shop Direct wanted to pay, so she brought her complaint to this service.

Our investigator thought that Shop Direct's offer was fair, but Mrs R disagreed. Although she initially complained just about the proposed redress, she then explained that she thought Shop Direct should uphold her complaint from an earlier point.

Our investigator looked at her case again but didn't agree with Mrs R.

As Mrs R didn't agree with the investigator's view, her complaint has been passed to me to make a 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.

. 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 Mrs R's complaint.

Having done so, I've come to the same conclusion as our investigator. I'll explain why I've reached this conclusion.

This service only has the ability to review complaints about this type of lending where the lending decision was made on or after 6 April 2007. That is the date when this type of

consumer credit became subject to this dispute resolution process. So, I can only look at the *decisions* made by Shop Direct after 6 April 2007. And Shop Direct has already agreed to uphold Mrs R's complaint about unaffordable lending from 19 January 2008 (or, rather, from when Mrs R's credit balance was above £575) in relation to her first account and from 16 September 2008 (when the limit was increased from £1,200 to £1,400) in relation to her second account.

This means I only need to review the following lending decisions:

#### First account

When Shop Direct's activity came under this service for the purposes of dispute resolution on 6 April 2007 Mrs R's credit limit was £200. On 11 April 2007, five days later, Shop Direct reduced it to zero. It then increased her limit to £600 on 14 April 2007. This decision is within my jurisdiction to consider. There were no further credit limit increases between 14 April 2007 and January 2008.

#### Second account

Shop Direct acquired this account on 5 June 2008. Prior to that the account was owned by a different business. I cannot consider the credit limit increases on Mrs R's account which were granted by that other business until such time Mrs R has complained to that business. Mrs R has been informed how to submit a complaint to that business for activity prior to 5 June 2008.

At the time of the account transfer Mrs R's credit limit was £1,200. This had been decided by the other business. It stayed the same until Shop Direct increased her limit to £1,400 in September 2008. This would be the first lending decision I could review as part of this complaint. And as Shop Direct has already agreed to pay back the interest and charges on balances above £1,200 there is nothing further for me to consider.

#### What this means for Mrs R's complaint.

There is only one credit limit increase to review – that is, the increase from zero to £600 on 14<sup>th</sup> April 2007 (it having been reduced to zero by Shop Direct on 11<sup>th</sup> April 2007 from £200).

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 Mrs R 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, Mrs R's borrowing history and her income and expenditure.

Shop Direct hasn't been able to provide evidence of any of the checks it did at the time of any credit limit increases. This isn't unreasonable given the length of time which has passed since then. But even if I conclude that it didn't do those checks, I then have to think about what it would have seen if it *had* done those checks.

In the light of the fluctuations up and down in Mrs R's credit limit in the months leading up to Shop Direct's decision to increase it to £600, I think Shop Direct ought to have completed enough checks to establish how much Mrs R was borrowing elsewhere and her income and essential expenditure.

In the absence of evidence of the checks Shop Direct did, we asked Mrs R to provide copies of her personal bank statements from the relevant period and a copy of her credit file covering the same period. Given the length of time since the relevant period, Mrs R wasn't

able to provide these, although she provided copies of bank statements from her and her husband's business account. Unfortunately, they do not provide me with a sufficient picture of what Mrs R's personal financial circumstances were like at the time of the lending. So, I don't know what Shop Direct might have seen if it did do necessary and proportionate checks.

I do not think it's unreasonable for Shop Direct to be unable to provide information from more than 15 years ago. In the same way, I don't think it's unreasonable for Mrs R to not be able to provide her bank statements or credit file. But the onus is on Mrs R to show that Shop Direct did something wrong and if it had acted fairly that she wouldn't have lost out. Without clearer evidence of Mrs R's circumstances, I cannot find in her favour. Where there has been other evidence available, Shop Direct has upheld her complaint.

This means that, on balance, I can't be satisfied that Mrs R lost out as a result of anything Shop Direct did wrong when it increased her credit limit to £600 on 14 April 2007.

I have also reviewed the approach Shop Direct has taken in relation to the offer of redress it made to Mrs R before she brought her complaint to this service. While I have not considered the merits of the decision, the proposed redress is in line with the approach this service would take if it had considered and upheld Mrs R's complaint. So, I do not consider that I should direct any additional compensation.

### **My final decision**

For the reasons I have set out above I do not uphold Mrs R's complaint. It follows that Shop Direct Finance Company Limited does not have to do anything further

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 25 October 2023.

Sally Allbeury  
**Ombudsman**