

Complaint

Mrs C has complained that Shop Direct Finance Company Limited (trading as “Very”) irresponsibly provided her with a catalogue shopping account and increased her credit limit when she couldn’t afford it.

Background

Very provided Mrs C with two catalogue shopping accounts. The first account, which was provided to Mrs C in June 2017, was never used. So this decision (as well as all references to Very account) is only concerned with the Very account Mrs C was provided with in January 2019.

In January 2019, Very provided Mrs C with a catalogue shopping account which had a credit limit of £750. This limit was then increased to £1,250.00 in December 2019 before it was once again increased to £1,750.00 in March 2021. As Mrs C’s account balance never went above £1,250.00, we’ve only considered the initial decision to provide the account and then increase the credit limit to £1,250.00.

One of our investigators looked at everything provided and felt that he didn’t have enough to reasonably conclude that proportionate checks would have shown Very that it shouldn’t have provided Mrs C with a catalogue shopping account or the limit increase. So he didn’t think that the complaint should be upheld.

Mrs C 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 C’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 C 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 C's complaint.

Mrs C's account was opened in January 2019 with a credit limit of £750. The catalogue shopping account Very provided Mrs C with was a revolving credit facility. This meant that Very was required to understand whether Mrs C could repay £750 within a reasonable period of time.

I understand that Very carried out a credit check before initially agreeing to provide this account. This information indicated that Mrs C hadn't had any recent significant problems with credit – such as defaulted accounts or county court judgments ("CCJ"). Furthermore, it's also fair to say that a credit limit of £750 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've not been provided with any clear evidence to show that Mrs C circumstances were such that I could reasonably conclude that she didn't have the funds to make the low monthly payment required for this facility either. 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 C unfairly when it initially opened Mrs C's account with a credit limit of £750 in January 2019.

However, at the time of the limit increase in December 2019, Mrs C's credit limit was being increased to an amount well in excess of £1,000.00 (£1,250.00). So I would have expected Very to have found out more about Mrs C's income and expenditure (particularly about her regular living expenses) before providing this credit limit increase.

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 limit increase were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, despite having been provided with a significant amount of additional time to do so, Mrs C has not provided us with the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with this limit

increase. And without this information I'm unable to ascertain whether proportionate checks would have prevented Very from lending to her.

Furthermore, bearing in mind the amount of the monthly repayments required and Mrs C made them before clearing the account in full, I can't reasonably conclude that the repayments in themselves were demonstrably unaffordable at the time either, notwithstanding being unable to recreate what proportionate checks are likely to have shown.

So overall and having considered everything, I've not been persuaded to uphold Mrs C's complaint about her account limit being increased to £1,250.00 in December 2019 either.

As this is the case, I'm satisfied that Very didn't fail to act fairly and reasonably towards Mrs C when it provided her with a catalogue shopping account or increased her credit limit. So I'm not upholding the complaint. I appreciate this will be very disappointing for Mrs C. 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 C to accept or reject my decision before 8 April 2024.

Jeshen Narayanan
Ombudsman