

## **The complaint**

Miss J complains that Shop Direct Finance Company Limited trading very lent irresponsibly when it approved her catalogue shopping account and later increased the credit limit.

## **What happened**

Miss J applied for very account in January 2019. In her application, Miss J said she was employed with an income of £41,501 and living with parents. Very carried out a credit search and found Miss J on the electoral roll at her address. Very also found Miss J owed around £38,000 to other unsecured lenders with monthly repayments of £562 a month. A default that was around two years old was found on Miss J's credit file but no other adverse information was recorded and there were no evidence of recent arrears. Very approved Miss J's application and with a credit limit of £600.

Very went on to increase Miss J's credit limit in stages. The credit limit was increased to £750 in July 2019, £950 in November 2019, £1,100 in May 2020, £1,600 in January 2021, £2,600 in April 2023 and £3,000 in August 2023. The account remains active (until the point Miss J referred her complaint to this service at least).

Earlier this year, representatives acting on Miss J's behalf complained that very lent irresponsibly when it approved a credit limit of £600 in January 2019 and went on to increase it in stages to £3,000 in August 2023. Very issued a final response on 29 April 2024 but said it had carried out the relevant lending checks and didn't agree it lent irresponsibly.

Miss J's complaint was referred to this service and passed to an investigator. The investigator thought the decisions to approve Miss J's application and increase the credit limit to £1,600 in January 2021 were reasonable based on the evidence very had available. But the investigator thought very should've done more in April 2023 when increasing the credit limit to £2,600 and August 2023 when increasing the credit limit to £3,000. The investigator looked at bank statements Miss J provided from the time and found her income was higher than the figure very had on file. The investigator thought that if very had asked Miss J to provide her bank statements it would've still most likely approved the final two credit limit increases and didn't agree it lent irresponsibly.

Miss J asked to appeal, so 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.

Before agreeing to lend or increasing the credit limit, the rules say very had to complete reasonable and proportionate checks to ensure Miss J could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Miss J applied to very in January 2019 she provided some details about her circumstances, including her income of £41,501 and that she was living with her parents. Very carried out a credit search and has provided the results it obtained. I can see Miss J had a default that was two years old that very factored into its lending assessment. Miss J had a reasonable amount of other credit at the time and her credit file shows it was well administered with no arrears. Very calculated Miss J had around £2,700 available each month and was making existing repayments of around £562 to her creditors. Whilst very hasn't supplied figures it used to consider Miss J's other regular outgoings, I'm satisfied that she had around £2,200 available after making her existing repayments so there was capacity for her to cover them along with her credit commitments.

If Miss J borrowed the full credit limit of £600 her new payments to very would come to around £30. I'm satisfied the information available to very was sufficient to show Miss J was able to sustainably afford repayments to a new very account and that she was able to repay the balance without causing financial harm.

The credit limit was increased in stages to £1,600 in January 2019. I've looked at the way Miss J's account with very was handled and I think it's reasonable to say there were no obvious signs she was struggling. The balance never exceeded Miss J's credit limit and payments were made on time, except for one month when it was received late. But I'm satisfied that was an isolated issue that Miss J quickly resolved.

By the time Miss J's credit limit was increased to £1,600 the monthly payment for her very account was around £95. I can see very checked Miss J's credit file before each credit limit increase. At this point, Miss J's total outstanding credit with other lenders had reduced from around £38,000 to around £30,600. There were no new defaults or other adverse information and no evidence of missed payments. I haven't seen anything on the credit file information very had available that indicated Miss J was overcommitted or experiencing financial difficulties.

Very still had Miss J's income recorded as around £2,700 a month and her existing repayments had reduced since her original application was approved in January 2019. Miss J would've needed to make increased repayments of around £95 a month to very with a credit limit of £1,600. I'm satisfied that was sustainable for Miss J, based on the information very had available. In my view, the information very had showed Miss J would've been able to repay the outstanding balance in a reasonable timeframe without causing undue financial harm. I haven't been persuaded that very lent irresponsibly when it increased Miss J's credit limit in stages to £1,600.

In April 2023 very increased the credit limit to £2,600 and then to £3,000 in August 2023. By this point, Miss J's account had been active for four years and very was substantially increasing the credit limit and payments required to service the account each month. In my view, it would've been reasonable for very to have taken a more comprehensive approach

before agreeing to lend further. One option would've been to review Miss J's bank statements to get a picture of her circumstances which is what I've done.

Miss J's explained that she was able to provide bank statements covering the period from the end of March 2023 until the middle of July 2023 but that she can't get older statements. Whilst we'd normally request statements covering a full three months before each credit limit increase, I understand Miss J's provided what she can. I'm satisfied I have sufficient evidence on file to reach a fair decision and that the statements Miss J's provided show her circumstances.

Miss J's bank statements show her income was between £3,400 and £4,000 net each month. Miss J's outgoings vary and I can see she was making mortgage payments of around £520 in addition to regular payments for items like utilities and communications. Miss J was also making payments to her existing creditors and I could see various transfers to savings accounts. I'm satisfied that Miss J's bank statements show she had a reasonable level of disposable income available each month once her commitments and normal day to day spending needs were met that was sufficient to meet the repayments of a credit limit of £3,000. And, in my view, Miss J's bank statements indicate she would've been able to repay the outstanding balance in a reasonable timeframe without causing financial harm.

I'm sorry to disappoint Miss J but, in my view, even if very had carried out more comprehensive checks like looking at her bank statements it would've most likely still decided to approve the credit limit increase to £2,600 in April 2023 and £3,000 in August 2023. I haven't been persuaded that very lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think very lent irresponsibly to Miss J or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I don't uphold Miss J's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 19 December 2024.

Marco Manente  
**Ombudsman**