

The complaint

Mr P complains that Shop Direct Finance Company Limited ("Shop Direct"):

- held him responsible for repaying debts on credit accounts which his ex-wife, without his knowledge or consent, opened and operated in his name; and
- placed defaults and other markers against his credit file in respect of those debts.

What happened

Mr P is a vulnerable individual, and suffers from complex mental and physical health issues. Because of this, in 2014 and 2015 his ex-wife was able, fraudulently, to open three credit accounts with Shop Direct in Mr P's name, and to build up debts on those accounts.

When these debts weren't paid, Shop Direct defaulted the accounts and put default markers in respect of them on Mr P's credit file. It also registered an "evasion of payment" notice against Mr P with the Credit Industry Fraud Avoidance System ("CIFAS") in respect of one of the accounts. Shop Direct sold the debts to third parties who tried to recover payment from Mr P.

Mr P complained to Shop Direct, through the debt purchasers, that he was being pursued for debts that weren't his. He wanted Shop Direct to stop him being chased for these debts, and to remove the default and other markers from his credit file. Shop Direct said there was nothing to suggest to it that the debts weren't Mr P's at the time they were being incurred. So it wouldn't do what he asked.

After this service became involved, Shop Direct accepted that Mr P had been a victim of fraud. It agreed to:

- remove the three default markers from Mr P's credit file; and
- replace the CIFAS "evasion of payment" marker with a CIFAS protective marker to show that Mr P was a victim of fraud.

Our investigator noted that Shop Direct had also said it would ensure that Mr P wasn't pursued for any debt that remained outstanding on the accounts. However, she thought Shop Direct could have done more in December 2018 and March 2019, when it became aware of Mr P's concerns, to investigate them and put matters right.

Mr P felt he was being called a liar and a fraudster. Shop Direct's failure to take his complaints seriously had caused him a lot of upset, which was accentuated by his vulnerabilities. As compensation for this she recommended that Shop Direct pay him compensation of £500.

Mr P said the compensation suggested wasn't enough to reflect the damage to his reputation by being called a liar and a fraudster.

Shop Direct responded to say, in summary, that:

- it only became aware of Mr P's concerns in December 2018, and again in March 2019, when Mr P contacted the debt purchaser, and it passed on Mr P's concerns to Shop Direct;
- when Mr P contacted Shop Direct itself in April 2019, it followed its usual procedure and told him he would have to take this up with the purchaser of the debt;
- once this service became involved and supplied further information, Shop Direct accepted Mr P had been the victim of fraud and agreed to amend the default and other markers; and
- it was now willing to accept the investigator's recommendation to pay Mr P compensation of £500, rather than the £200 it had previously offered him, for the distress and inconvenience it had caused him.

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.

First of all I should remind Mr P that the person who is responsible for the trouble that both he and Shop Direct have suffered is his ex-wife, who fraudulently ran up debts in his name with Shop Direct. I accept Shop Direct's argument that it carried out reasonable checks before setting up the accounts, and wasn't aware of the deception.

However, once Shop Direct became aware that Mr P was saying he wasn't responsible for the debts I don't think it did enough to investigate this. I think his vulnerability should have been obvious to its investigators, and they should have done more to support him.

The failure of Shop Direct to take what he was saying seriously and investigate it properly caused Mr P significant distress. Like the investigator, I think fair compensation for this is £500, which Shop Direct now agrees. I also think it should take the other steps set out below which I've explained to it and it hasn't disputed.

Putting things right

I think Shop Direct should pay Mr P this amount, as well as taking the other steps set out below.

My final decision

My decision is that I uphold this complaint, and order Shop Direct Finance Company Limited to:

1. remove from Mr P's credit file the three default markers in respect of the debts created by his ex-wife;
2. take whatever steps are necessary to ensure that Mr P isn't pursued for any balance remaining outstanding of these debts;

3. replace the CIFAS “evasion of payment” marker with a CIFAS protective marker to show that Mr P was a victim of fraud; and
4. pay Mr P £500 as compensation for the distress and inconvenience it has caused him.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr P to accept or reject my decision before 27 April 2020.

Lennox Towers
Ombudsman