

The complaint

Ms N complains that Shop Direct Finance Company Limited (trading as Very) have incorrectly and unfairly applied interest to her account.

Ms N is being represented in this complaint, but for ease I will refer to any submissions and actions as if they were made by Ms N.

What happened

Ms N has a Buy Now Pay Later (BNPL) arrangement with Very for her catalogue shopping account. A payment of approximately £550 was due by 20 March 2020, or deferred interest of approximately £200 would be added to the account.

The payment wasn't made and the interest was applied. Ms N called Very on 24 March 2020 and told them that in a call on 21 March 2020, she was told by Very to call back to see if the interest could be removed. She says she told Very that she had been off work due to self-isolating during the ongoing pandemic. She also made them aware her workplace had shut and that she couldn't afford to make the payment until the end of April 2020.

The associate then offered to put a two-month hold on Ms N's account, which Ms N agreed to. However, the interest on the account remained and further interest was added during this two-month period.

Ms N was unhappy and complained to Very. She said that she had been told that interest wouldn't be applied. Very said that the initial interest had been applied correctly as the payment wasn't made by 20 March 2020. They also said that whilst payments were subsequently frozen for two months, interest still correctly accrued.

Ms N brought her complaint to our service for an independent review. The investigator thought Very had acted fairly. He said that there had been no confirmation that the applied interest would be removed and no guarantee that interest would not accrue whilst the monthly repayments were frozen. He also said that guidance from the regulator regarding how COVID payment holidays should be applied hadn't been issued at the time the payment freeze was agreed. But that this also said - when it had been issued - interest could continue to accrue.

Ms N didn't accept this. She didn't think she had been treated fairly or Very had done what they said they would. As she remains unhappy, it's now 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.

Having done so, I have to tell Ms N that I think the investigator has reached a fair outcome here. So, I don't uphold her complaint in this matter. I'll explain why.

Very had made Ms N aware in writing that she needed to make a payment of approximately £550 by 20 March 2020 to avoid interest being applied. She didn't do so, so interest was applied. I'm satisfied the interest was added in line with the agreement and therefore think it was fair for Very to do so.

I have listened to the call between Ms N and Very on 24 March 2020. I believe the associate is clear during this call that Very would only consider deducting the interest that had been applied, if the payment is made by the end of April 2020. No guarantee was given, and as no payment was made during April, I am satisfied that Very has acted fairly here.

During the call Ms N explained that the ongoing pandemic was affecting her. Her workplace was currently closed, she was self-isolating, had an ongoing health issue and she wasn't certain what her income would be. I believe the associate acted positively and sympathetically by suggesting they could give two months' breathing space, where Ms N would not need to make the monthly payments to her account. Which Ms N agreed to.

However, I do feel that the advisor could have been clearer during the call that interest would continue to accrue during the two months' breathing space I believe this was an omission and although she didn't say interest wouldn't accrue, she should have been clearer.

However, I am satisfied that if Very had explained this, Ms N would still have taken the payment holiday. I say this because I am satisfied that she wasn't able to make the repayments and would have taken the benefit of some extra time to make them without any impact on her credit file.

Ms N has also said that she didn't feel that Very had acted in line with the FCA's Covid-19 temporary relief guidance. However, this wasn't introduced until April 2020 and it also stated that interest can continue to be charged during a payment holiday. I am satisfied that Very has acted fairly and although the guidance wasn't in place yet, Ms N's account was still treated in line with it.

I'm aware that Ms N is and how interest has continued to accrue. However as these are new issues, she'll need to raise those with Very separately.

I accept my decision will disappoint Ms N. But, for the reasons set out above, I don't require Very to do anything to resolve this complaint. My decision ends what we – in attempting to resolve Ms N's dispute with Very – can do for her.

My final decision

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 8 July 2021.

Yoni Smith
Ombudsman