

## **The complaint**

Mrs A is unhappy with how Shop Direct Finance Company Limited trading as Very dealt with her financial difficulties.

Mr A and Mrs A have entered into an Individual Voluntary Arrangement with Company I relating to their sole and joint debts, including Mrs A's account with Very. So, both Mr A and Company I have an interest in this complaint. However, as the account with Very was in Mrs A's sole name, for ease of reference my decision will only refer to Mrs A.

## **What happened**

Mrs A had a catalogue shopping account with Very. In May 2019 she was in financial difficulties and the balance outstanding on her account was £2,758.55. But some of the items that made up the outstanding balance had been purchased on a Buy Now Pay Later (BNPL) deal, where no interest would be charged if the purchase price was repaid by a certain date.

Very agreed to Mrs A making reduced payments of £13.37, and they suspended interest and charges. But they told Mrs A that the BNPL interest would still be applied. And, between 20 May and 7 December 2019, BNPL interest was applied to Mrs A's account.

In November 2019, Mrs A told Very that she was unable to afford the payments because of a further change to her financial circumstances. Very put her account on hold for three months suspending further interest and charges. But they continued to charge BNPL interest.

In February 2020, after taking advice from a debt advice charity, Mrs A told Very she was only able to afford £1 a month. Very reviewed the situation and said the best outcome would be to default the account. Mrs A wasn't happy with how Very had dealt with matters and she brought her complaint to us for investigation.

Our investigator said the budget summary Mrs A provided to Very in May 2019 was produced by a third-party debt company, and it said Mrs A had £302.75 a month available to repay 14 creditors. So, she thought this was reasonable to rely on. And Mrs A's financial situation didn't improve during the six months Very agreed to accept a reduced payment.

Because of this, as it made her situation worse, the investigator didn't think it was fair or reasonable for Very to apply the BNPL interest. And she thought Mrs A's debts would be in a better position now had they not done this. As Mrs A was also unemployed, and in receipt of universal credit, the investigator also said that Very adding the BNPL interest caused Mrs A undue stress.

The Financial Conduct Authority's (FCA) guidelines for customers in arrears says that financial businesses should treat them with forbearance and due consideration. And the investigator didn't think that adding the BNPL interest was doing this, given the circumstances. So, she said Very should remove the BNPL interest and pay Mrs A an additional £100 for the distress and inconvenience she'd been caused.

Mrs A agreed with the investigator's decision, but Very asked for an extension to 3 March 2022 to provide their comments. Following this, they asked for further extensions to 7 March and 23 March 2022. Despite these being granted, Very didn't respond to the investigator's view. So, this case has been passed to me to make a final 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.

Having reviewed the evidence, I agree with the investigator's findings on this complaint for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Due to her business having trading difficulties, Mrs A was unable to maintain payments to all her creditors, including Very. On 13 May 2019 she offered Very a reduced payment of £13.37 a month. In an email dated 23 May 2019, Very told Mrs A they'd accepted her offer and set up a six month payment arrangement. They also told her *"we've suspended administration charges for the duration of the agreed repayment plan and we won't charge you any further interest to support you with keeping up-to-date with your arrangement."*

However, in an email dated 7 June 2019, Very clarified *"we are not applying any interest to your account. Please be aware that if you have purchased items on [BNPL], any interest that has accrued in the payment free period prior to suspension. Will still be charged to your account."* And, between May and December 2019, Very charged BNPL interest to Mrs A's account, increasing the outstanding balance.

On 20 November 2019, Mrs A advised Very of a change in her financial circumstances. She said she wasn't working, was in receipt of universal credit, and her income didn't cover her general living expenses. Because of this, Very placed account on hold for three months, suspended all interest and charges. However, they again told her that *"any [BNPL] interest that has accrued in the payment free period prior to the suspension, will still be charged to your account."* And they continued to charge BNPL interest.

In February 2020, due to the change in Mrs A's financial situation, she offered Very a nominal payment of £1 a month. Very refused to accept this because it would *"only affect your credit file and financial hardship over a longer period."* And they said the best course of action would be to default the account.

Under the rules set down by the FCA, *"a firm must treat customers in default or in arrears difficulties with forbearance and due consideration."* And from what I've seen, I'm satisfied that Very did this when they agreed to both the six-month payment plan in May 2019, and by putting Mrs A's account on hold for three months in November 2019.

But I don't think Very acted fairly in the circumstances by having a two-tier process for suspending interest, and by not including the BNPL interest when suspending the interest. In rejecting Mrs A's request for a nominal payment in February 2020, Very said doing so would put Mrs A in a position whereby her financial hardship increased over time. But this is the exact thing they did when they continued to charge BNPL interest while Mrs A was on an agreed repayment plan. Which resulted in her making all the agreed payments but still owing substantially more at the end of the repayment plan than she did at the beginning.

Given this, I think Very need to take further action.

## **Putting things right**

For the reasons already stated, I don't think Very acted fairly by continuing to apply BNPL interest to Mrs A's account, while all other interest and charges had been suspended. So, I think Very should restructure their debt by removing all BNPL interest they charged after 14 May 2020 – when Mrs A made them aware of her financial difficulties and proposed a repayment plan which they accepted.

What's more, I've seen from the correspondence Mrs A sent Very that their decision to continue to charge BNPL interest caused her upset and added to the stress of the situation she'd found herself in. And I think Very should compensate her for this.

So, Very should:

- remove any BNPL interest applied to Mrs A's account from 14 May 2020, and
- pay Mrs A an additional £100 for the distress and upset their decision to continue to apply BNPL interest caused.

## **My final decision**

For the reasons explained above I uphold Mrs A's complaint. And Shop Direct Finance Company Limited trading as Very should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask T and Mr A and Mrs A to accept or reject my decision before 21 April 2022.

Andrew Burford  
**Ombudsman**