

## **The complaint**

Mr S complains about how Studio Retail Limited ('Studio') handled his account when he experienced financial difficulty.

## **What happened**

The background to this complaint is well known to both Mr S and Studio. I won't repeat in detail what is already known to both parties. In my decision, I'll mainly focus on giving the reasons for reaching the outcome I have.

In June 2020 Mr S had COVID-19 payment deferral applied to his account for three months – until September 2020. When this payment deferral came to an end Mr S needed to resume his minimum contractual repayments or agree a further arrangement with Studio. Studio say no payments were received and in October 2020 a default notice was issued to Mr S. Studio passed the debt over to a third party debt collection agency.

Mr S later complained to Studio as he said he was told that the debt had been written off and wasn't payable, but he'd subsequently received debt collection letters threatening legal action if the debt wasn't paid.

Studio didn't uphold the complaint and Mr S referred his complaint to our Service for an independent review. Our investigator didn't uphold the complaint and as Mr S didn't accept, the complaint has been referred to me for 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.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy to either party – it simply reflects the informal nature of our Service. Similarly, I won't comment on every interaction between both parties here – only the key ones. However, I've given careful consideration to all of the submissions made before arriving at my decision.

I'm very sorry to hear about everything Mr S experienced during the COVID-19 pandemic.

When considering this complaint, my main consideration is whether or not Studio have treated Mr S fairly, positively and supportively when he experienced financial difficulty - before taking the actions they've taken here with the outstanding debt on his account. I'll also be considering the general service provided – including Studio's communication with Mr S.

### *The COVID-19 payment deferral*

The COVID-19 payment deferrals were intended as a temporary, short-term measure to help consumers who were experiencing a negative change in their financial circumstances because of the COVID-19 pandemic.

Based on what I've seen, there is some evidence that Mr S was experiencing some issues with managing his account *prior* to the impact of the COVID-19 pandemic. I say this because in a number of months preceding March 2020 (and prior to July 2020 when the deferral was granted) there were occasions where the minimum payment or no payment was made towards his outstanding balance. For example the June 2020 statement stated:

*"You have been in persistent arrears for a total of three months... A default notice is already on its way asking you to resolve the situation within 21 days..."*

But Mr S's payment deferral request was applied from July 2020. This gave Mr S three months of breathing space where interest would continue to accrue on his account, but he didn't need to make repayments and fees and charges would be suspended.

I've weighed up carefully whether approving a COVID-19 payment deferral was in Mr S' best interest in July 2020. This is important as Studio could have proceeded with the default at that point based on Mr S' account being three months in arrears. However, on the other side of this argument is the payment deferral gave Mr S three months extra breathing space to try and improve his financial circumstances.

The relevant, updated Financial Conduct Authority ('FCA') guidance had been published on 3 July 2020 - around the time Mr S had made his request. It can be found at <https://www.fca.org.uk/publication/finalised-guidance/finalised-guidance-credit-cards-coronavirus-updated-temporary-guidance-firms.pdf>, but for ease I've included some relevant extracts below:

*"1.7 This guidance applies where customers are experiencing or reasonably expect to experience temporary payment difficulties because of coronavirus. Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC 6 and 7 would continue to apply..."*

*"1.20 In determining whether a 3 month full payment deferral is obviously not in customers' interests, firms should consider both customers' need for immediate temporary support and the longer-term effects of a payment deferral on a customer's situation. In particular, firms should consider customers' ability to repay any accrued interest once the payment deferral ends, and over what period. The interest rate will be among the relevant considerations..."*

*"1.24 Where a 3 month full payment deferral is not considered appropriate, firms should without unreasonable delay, offer other ways to provide temporary relief to customers in accordance with treating customers fairly. This could include a partial payment deferral if the loss of income is partial or a payment deferral of fewer than 3 months if the loss of income is for a shorter period..."*

Had Studio *not* approved the request it and considered other options, I find it more likely than not these would've been very limited for Mr S and in all likelihood they would have proceeded with recording a default on the account. I say this because Mr S was unemployed at this time with very restricted income. I've also noted that Studio have told us Mr S had previously asked for a direct debit plan/pack to be sent – which was sent on 15 January 2020 but they never received it back.

On balance, I find it reasonable of Studio to have approved the COVID-19 payment deferral - even if this wasn't strictly following the relevant FCA guidelines. A key point here is the financial services regulatory landscape was fast developing and responding to the challenges the pandemic was presenting at that time and businesses were having to respond quickly to regular changes in guidance.

### *The end of the payment deferral*

Mr S disputes being told the deferral period was coming to an end. He's said:

*"...Further to my previous emails, I would have been happy to pay the account had it not been settled by yourselves ; However the fact remains it was settled. Also Yes indeed I asked for a payment covid break and yes I was given one; However no contact was made regarding payments restarting at all the first I heard was from the parasitic debt collectors..."*

But I'm satisfied that Mr S was made aware in the account statement dated 12 September 2020 that the payment deferral was coming to an end. The statement included the following prominent wording on page one:

***"Your payment freeze will end before your payment due date. Please make a payment as shown on this statement."*** [bold added for emphasis by Ombudsman]*The easiest way to pay is online in 'My Account', other ways are shown on the reverse of this statement. If you're still experiencing payment difficulties please contact us on [number redacted by Ombudsman] we can discuss some options with you including another payment freeze period."*

Based on the evidence, Mr S didn't get in touch with Studio and a default notice was issued in October 2020. It's my understanding that this was based on Mr S being three months in arrears at the point the payment deferral was added and then when it ended he made no payments - meaning he was around five months in arrears at the point of it being reported.

Based on everything I've seen, I don't find it unreasonable that Studio issued a default notice at that point and later transferred the debt to a collections agency. But I'll return to this issue later in my decision.

### *The communication afterwards*

It's important to note that I'm only considering the actions of Studio here and not the collections agency.

Mr S has told us he was given the impression that the debt had been written off by Studio. I can understand why Mr S possibly may have thought this - as some of the wording used in emails from Studio to Mr S may have caused uncertainty. For example, the use of the word 'settled' when referring to the debt no longer being owned by Studio.

To give some context, generally, based on my experience, financial businesses *may* in very limited circumstances consider a full debt write off where a customer passes away. I understand that Mr S has pointed to sadly losing members of his family due to COVID - but this debt belonged to Mr S.

I've considered that Mr S has told us his understanding was confirmed in a phone call from Studio to him in 2021. But no record of an outgoing call exists that I've seen and our Service have queried this on a number of occasions with Studio. Mr S was also given the opportunity to provide his own evidence (screenshots) of when he received the call(s) in question. Some

was provided, but they were all calls from Mr S to Studio and not from around the time he says he was given this information.

Studio have confirmed that the referenced email from May 2021 has been misunderstood and doesn't mean that the debt was being written off. They've told us that the debt had been sold on to another business. But they've now taken the debt back in house.

Overall, I've seen no persuasive supporting evidence that Studio intentionally mislead Mr S or made a promise to write off debt on compassionate grounds. And ultimately, the debt remains. When Mr S raised his complaint Studio told him they'd reversed the recording of the default on his credit file record - but that the debt remained. Although I've found it was reasonable of Studio to proceed down the default route at that time, I won't interfere with this as it's in Mr S's favour.

I also note that Studio positively called the debt back from the collections agency and offered to let Mr S enter into a repayment plan with them when the complaint was with our Service. Studio have since confirmed that no further fees, interest, or charges have been applied by them. This was a positive move on their behalf and Mr S should give some consideration to entering into further discussions about the outstanding debt with Studio. Our investigator made Mr S aware of this on 25 March 2022. This is important as it's likely the debt could be sold again in the future.

Whilst I appreciate my decision will disappoint Mr S, it brings to an end our Service's involvement in trying to informally resolve this dispute between him and Studio.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 October 2022.

Daniel O'Shea  
**Ombudsman**