

The complaint

Miss C is unhappy with the way Studio Retail Limited has treated her when she has been struggling financially and unable to make the contractual repayments to her catalogue shopping account.

What happened

In May 2022 Miss C contacted Studio Retail to ask for a payment suspension as she was experiencing financial difficulties. Studio Retail responded to say it didn't offer payment suspensions. It asked for details of Miss C's income and expenditure so it could see what a suitable payment plan might be. Miss C provided these details but said she couldn't afford to make any payments to the account. She insisted a debt charity had told her Studio Retail could offer a payment break of between six and 12 months.

Studio Retail reiterated it couldn't offer a payment suspension, but said it could accept token payments of as little as £1 a month until Miss C's situation improved. It said it needed Miss C's income and expenditure information to agree to this. Miss C replied that she had already provided her income and expenditure information and said she'd pay Studio Retail £2 a month, even though she can't afford to do so. Studio Retail has agreed to this arrangement.

Miss C isn't happy that Studio Retail wouldn't offer her the payment suspension. She says Studio Retail has done nothing to help her and it doesn't care that she has no money. This has added to the stress and worry she already has. She wants Studio Retail to stop chasing her for payment.

Our investigator thought Studio Retail had treated Miss C fairly and she didn't think it needed to do anything further. Because Miss C didn't agree, the case has 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.

When Miss C told Studio Retail she was in financial difficulties, I would have expected it to exercise forbearance and due consideration, in line with its regulatory obligations. Examples of treating a customer with forbearance include:

- Suspending, waiving or cancelling any further interest or charges
- Allowing arrears to be deferred where immediate payment could cause payments to be unsustainable or where the term would not be increased excessively
- Accepting token payments for a reasonable period of time in order to allow the consumer to recover from unexpected reduction in income

Looking at the statements Studio Retail has produced, I can see it hasn't added any interest or charges to Miss C's account since she made it aware of her financial difficulties in May

2022. This appears to be a relatively open-ended arrangement which, in my experience, is somewhat unusual. It has also agreed to accept token payments of £2 a month. And while Miss C had told Studio Retail she had already been to a debt charity, Studio Retail reminded her this support was available. So I can't agree with Miss C that Studio Retail has done nothing to help her. I'm satisfied it has treated her with forbearance.

I appreciate the options Studio Retail has offered Miss C aren't what she was hoping for and what she'd been led to believe by the debt charity she could expect. However, Studio Retail is adamant it isn't able to offer payment suspensions of the type Miss C wants. And I wouldn't necessarily expect it to offer this sort of arrangement.

The examples of forbearance set out in the rules are all designed as short-term measures to allow a customer who has had a financial set back, to recover and get back to a position where they can repay the debt. I understand why Miss C wants some breathing space and doesn't want to be worrying about paying her debt with Studio Retail. I also accept any ongoing contact from Studio Retail is likely to cause her upset. But it would be unusual for a lender to agree a longer-term period (eg 12 months) where it won't expect *any* payment or take any further action – such as defaulting the account – particularly when there's nothing to suggest the customer's financial situation will be any different at the end of that period, as is the case here.

In situations like Miss C's, where she can't afford to make any payments towards the debt, and this is likely to continue for some time, the options available to lenders like Studio Retail are limited. What I think Miss C wants – a 12-month period where she doesn't need to make any payments, and Studio Retail takes no further action, including contacting her – isn't reasonable. At some point (usually between three and six months) when a borrower has fallen behind with their contractual repayments and hasn't been able to come to a temporary, sustainable repayment plan (during which they're paying more than a token amount each month), a lender would usually (and fairly) default the account. And I would usually expect the lender to accurately report the account position to the credit reference agencies

Miss C is already three months behind with her contractual repayments (also known as being in arrears) and, as I say, it doesn't seem that her financial situation is likely to improve any time soon. So even though Studio Retail has agreed to accept a token monthly repayment it seems likely there will be a point in the future at which it will decide to default her account. If Miss C really can't afford to pay the token payments, I would recommend she speaks to the debt charity again to help her decide if the benefits of making these payments, outweigh the disadvantages.

While I'm sympathetic to Miss C's situation, which I understand has come about through no fault of her own, I'm unable to say Studio Retail has done anything wrong or that it needs to do anything further. I realise Miss C has found herself in a particularly difficult position and it's affecting her mental health. But I'm afraid all I can suggest is she goes back to the debt charity for further advice.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 16 December 2022.

Claire Allison
Ombudsman