

The complaint

Mr P complains that Shop Direct Finance Company Limited (trading as Very) (SDFCL) treated him unfairly when he experienced financial problems.

What happened

Mr P entered into a credit agreement with SDFCL in 2013. He was out of work for a time and ran into financial problems in 2017. After getting some help from a debt advice organisation, he agreed a payment plan with SDFCL in October 2017 for token payments of £5 a month for six months. Mr P says he made the payments agreed consistently but noticed, in April 2018, that SDFCL had stopped taking payments the month before. He phoned SDFCL and it accepted two further £5 payments in April and May 2018. SDFCL issued a default notice in May 2018 and the account defaulted a month later.

SDFCL sold the debt to a third party and, whilst the debt was repaid, there's still a default showing on Mr P's credit file which is affecting his ability to obtain credit. Mr P is unhappy that SDFCL wouldn't extend the payment arrangement beyond March 2018 and he thinks it was wrong to default the account and sell on the debt.

SDFCL doesn't think it did anything wrong. It says (in summary) the payment arrangement agreed in early October 2017 was for token payments of £5 a month for six months. The first instalment was due by 27 October 2017 but this wasn't received and only three of the next five instalments were made. The arrangement ended in March 2018 and a call handler explained that a new plan wasn't appropriate when Mr P phoned in April 2018. The minimum payment (of around £2,000) then fell due. Mr P was told about that in statements and the default notice, but he failed to make the payment required on time so the account defaulted and SDFCL sold the debt.

Mr P thinks SDFCL stopped taking payments even though it had (or should have) extended the payment arrangement. He says he made payments consistently. And SDFCL failed to acknowledge that he took pro-active steps to manage the borrowing whereas other creditors at the time were more supportive – and didn't issue defaults. He feels he has been treated unfairly and he wants SFFCL to arrange for the default to be removed from his credit file.

Our investigator listened to various call recordings and considered correspondence between Mr P and SDFCL as well as other evidence. She didn't think SDFCL had acted unfairly and she didn't recommend the complaint should be upheld. In summary, she said:-

- Mr P was made aware that the payment plan put in place in October 2017 was for 6 months only and it would end in March 2018 and he accepted this;
- payments were made by card - not taken automatically by direct debit - so it was up to Mr P to make the payments on time;
- the call handler Mr P spoke to in April 2018 didn't agree to extend the payment arrangement or start a new one;
- subsequent statements set out how much was due and there's no indication that another payment arrangement was put in place;

- Mr P continued to make some payments and it wasn't wrong of SDFCL to accept those - doing so didn't mean the payment arrangement was extended;
- the default notice made it clear how much was due, when this had to be paid and what would happen if payment wasn't received;
- Mr P didn't make the payment required in time and it wasn't wrong of SDFCL to default the account and sell on the debt.

Mr P said he thought the default letter sent in June 2018 shows an arrangement was agreed because it implies payment was expected and interest was frozen. The investigator didn't think that was the case. She said it's clear from reading the whole letter that the 'required payment' refers to the full amount due, of over £2,000. She wasn't persuaded that SDFCL had acted unfairly and she remained of the view it wouldn't be reasonable to ask it to do anything else. Mr P remained unhappy and asked for the matter to be passed to an ombudsman for review.

Having considered the available evidence, I wasn't minded to uphold the complaint. My reasons weren't quite the same as the investigator's however and I thought it was fair to let the parties see my provisional findings and respond (if they wanted to) before I made my final decision. I issued a provisional decision on 26 July 2022. I've set out what I decided provisionally (and why) below – this forms part of my final decision.

My provisional decision

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I can see that Mr P has had a difficult time and I'm sorry to hear about the impact of this default. I understand he feels he hasn't been treated fairly by SDFCL – especially after he took proactive steps to sort out his debts. I'm sorry to disappoint Mr P but, for the reasons I'll explain, I'm not persuaded (on the current evidence) that SDFCL did something wrong here.

Mr P has explained that he spoke to a debt advice organisation and contacted several creditors including SDFCL when he experienced financial issues in 2017. We'd expect a lender to show forbearance in this situation. That may include suspending interest and charges, accepting token payments for a time and signposting free sources of debt advice, amongst other things.

I've listened to the phone call Mr P had with SDFCL in October 2017 (amongst others). I'm satisfied that SDFCL checked that Mr P had taken advice and agreed to accept token payments for six months. I think the call handler made it clear that this arrangement was temporary and how much had to be paid and when - and she also explained that interest would be frozen although BNPL would still be charged. Mr P confirmed he was comfortable with this arrangement. He said it was in keeping with arrangements he'd made with other creditors. And he hoped to be in a better position by December and certainly within six months.

I think it was positive and sympathetic of SDFCL to take the steps it did and agree this plan, based on the information I have. This sort of token payment arrangement is meant to be short-term however and subject to review - to ensure it's affordable and appropriate for the borrower. For the reasons I've set out below, I don't think SDFCL agreed to extend this arrangement or put a new one in place in March 2018. And I'm not persuaded that was unfair or unreasonable in this situation.

I can see Mr P says he made the token payments consistently - and he provided bank statements that show that three such payments were made. But, statements supplied by

SDFCL suggest that Mr P didn't make all six payments – he missed at least two as far as I can see. I'm also satisfied that Mr P told SDFCL his circumstances hadn't improved in April 2018. So, he wouldn't have been in a position to resume his contractual payments when the arrangement ended the month before - or agree another payment arrangement that was likely to be sustainable overall.

For the same reasons as the investigator, I'm satisfied that SDFCL didn't agree (or lead Mr P to reasonably believe that) that the existing payment arrangement was extended past March 2018 - or that a new one was put in place. And I don't think it was unfair of SDFCL to issue a default notice in May 2018 in the circumstances. I'm satisfied the default notice made it clear how much had to be paid, and by when, in order to avoid a default. It's unfortunate that Mr P wasn't in a position to pay the amount specified so the account defaulted and SDFCL sold on the debt. But, I can't reasonably criticise SDFCL for that here.

I understand the debt has been repaid now but Mr P is unhappy because there's a default on his credit file. I'm sorry to hear about the problems this is causing. I realise a default can have a very significant impact on financial circumstances and the ability to access credit. Defaults stay on a credit file for six years. So, it's important that a lender doesn't issue a default too soon - as the borrower may be able to clear arrears. And it may also be unfair for a default to be issued too late – prolonging the time the default appears on a credit record.

Information from the Information Commissioners Office ("ICO") about the recording of such information says a default may be registered when a customer is at least three months in arrears and a default would be expected to be registered by the time a customer is six months in arrears - as long as the lender has dealt with the borrower fairly. This service also generally expects a default to be registered within three to six months.

I've thought about the actions SDFCL took here. For the reasons I've explained, I think it was fair of SDFCL to accept token payments for six months – given Mr P's circumstances in October 2017 and his plans to get a new job and be in a better position financially within six months. And I can't fairly say SDFCL should have issued a notice of default any sooner. I'm satisfied that Mr P didn't make all the token payments agreed and his circumstances hadn't improved by March 2018. So, I'm not persuaded it was unfair of SDFCL to refuse a further arrangement. And I can't reasonably say it was wrong of SDFCL to issue a default notice in May 2018.

I realise this will probably come as a disappointment to Mr P. I have sympathy for the situation he finds himself in. But, I'm not presently persuaded that SDFCL treated him unfairly or acted unreasonably. I don't think it was wrong of SDFCL to default the account and sell the debt. I'm not minded therefore to uphold this complaint and I can't reasonably require SDFCL to do anything else.

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.

I invited the parties to consider my provisional findings and let me have any further comments or new evidence by 16 August 2022. I explained I would look at all the evidence available after that date and make my final decision.

Neither party has provided any new information or objected to my provisional findings. I see no reason to depart from my provisional conclusions in the circumstances. For the reasons set out above, I'm not persuaded that SDFCL treated Mr P unfairly or acted unreasonably. I don't think it was wrong of SDFCL to default the account and sell the debt. So, I can't fairly

uphold this complaint and I'm unable to reasonably require SDFCL to do anything else.

I appreciate Mr B will probably feel let down by my decision, as it's not the outcome he hoped for. He's not obliged to accept what I've said however - in which case, it remains open to him to pursue the matter by any other means available.

My final decision

For the reasons I've explained, my decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 September 2022.

Claire Jackson
Ombudsman