

The complaint

Mr W complains that Shop Direct Finance Company Limited trading as very (very) should have agreed to payment holidays.

What happened

Mr W had an account with very – the limit was £3,850. The interest rate was 59.9% p.a. His income was affected by the covid-19 pandemic and he asked very for a payment holiday – this was agreed on 18 April 2020 for three months. Any Buy Now Pay Later (BNPL) purchases where the promotional period hadn't expired by 27 April 2020 didn't have to be paid for three months. The payment holiday came to an end on 16 June 2020. Mr W had BNPL purchases made in May 2019 to a value of £794.19. Payment for those was due in full by 7 August 2020. Mr W paid in £125 on 5 August 2020 – and so interest of £642.63 was charged. In September 2020, Mr W asked for another payment holiday, but this was declined – as very said he'd been making the minimum payments to his account. Between August 2020 and November 2020 – Mr W's partner paid in a total of £972.47 to help him out and keep the account within the limit.

Mr W is represented by his partner, but I will refer to Mr W here as the complainant. Mr W complained that he should have been offered a second payment holiday in June 2020 – after the first one had expired. And then – the BNPL amounts wouldn't have fallen due for payment. As a result, he had been charged interest in August 2020 - which wasn't fair. And he should've been given a payment holiday in September 2020 when he asked for one. And his partner had paid £972.47 which wasn't necessary. He said the payments made should be refunded. He said that what happened caused him a lot of stress and anxiety – and put a strain on his relationship with his partner - who had to pay in large sums of money.

Very said they'd acted fairly. The interest of £642.63 charged in August 2020 was due because Mr W hadn't paid off the BNPL instalment when it fell due – and he didn't have a payment holiday then. Very said Mr W didn't qualify for a payment holiday in September 2020 – because he'd been making the minimum payments to his account at the time of his application. But they agreed he'd been given some misleading information on the phone, and for that paid compensation of £40. Very also said they'd remove any adverse markers advised to the credit reference agencies.

Mr W brought his complaint to us. Our investigator felt very acted reasonably. He broadly agreed with very – that the interest was due in August 2020 as Mr W didn't make the payment on time in respect of the BNPL purchases. He said Mr W didn't qualify for a second payment holiday in June 2020 - and very were correct to decline his request for a payment holiday in September 2020.

Mr W didn't agree. He said very should have offered him a second payment holiday after the first one expired. And if they had done, he wouldn't have had to make the BNPL payment in August 2020 – and so would've avoided the interest paid. And he said it wasn't fair he'd been declined a payment holiday in September 2020 – the reason given by very wasn't reasonable. Mr W asked that an ombudsman look at his complaint.

I issued a provisional decision which said:

The crux of Mr W's complaint is – firstly, should he have been offered, and then given a second payment holiday (PH) in June 2020 - after his first one expired. His income was still affected by the pandemic at that time. And secondly, should he have been given a payment holiday (PH) in September 2020 when he asked for it.

In April 2020, the Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including very, had to put in place 'payment holidays' on many credit agreements, including BNPL – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. On BNPLs, the promotional period was to be extended by the period of the payment holiday. Missed payments would not be reported to credit reference agencies. This support was provided by firms up to the end of October 2020.

The intention was to provide short term support – usually in cases where customers would be returning to work within a short period of time. And so – where a customer's situation was that they were in longer term difficulty, then payment holidays under this scheme weren't normally agreed.

The dates of the FCA's announcements are important here. The first one was on 17 April 2020 – and at that stage, it only made for one payment holiday of three months - and that therefore directed Mr W's first PH. The FCA's second announcement was on 3 July 2020 – so this was after Mr W's first PH had expired.

Payment holiday – April 2020: I can see that very agreed to Mr W's first PH on 18 April 2020. They wrote to him to confirm it: "The delayed payment periods (and payment due dates) for all purchases you may have made on a BNPL basis, and where the delayed payment period had not expired prior to 27th April 2020 will be extended by 3 months. Where applicable, this means that you will have an additional 3 months to repay the balance(s) of your BNPL purchases and avoid the interest that would otherwise have been charged when payments become due."

When the PH came to an end they wrote on 29 June 2020 *"Your payment freeze period has now ended. We are writing to you to let you know that your agreed temporary payment freeze period has now ended. Your payment will be due on or before 10/07/2020 and should be made as normal. Please be aware that only one payment freeze can be approved on your account so a further payment freeze would not be approved for your account if a new request was made."*

And so – at that stage, very said a further PH wasn't available. And – because the FCA's guidance was then for only one PH, that was understandable.

But I've then considered what happened next. On 3 July 2020 – the FCA announced further guidance which extended the PH scheme for another three months. And it also said – that where a customer had had a first PH (as Mr W had), then firms should contact them to offer a further PH. I quote what the FCA said *"...the firm should make all reasonable efforts to contact affected customers and give them an opportunity to take up any further help they may be eligible for under this guidance...."*. And therefore – I think it would've been fair and reasonable in Mr W's circumstances – to contact him and offer him the chance to apply for a second PH – the first one had only expired a few days before. And as his income was still affected by the pandemic, I think it's likely it would've been agreed.

What this would've meant is that Mr W would've had a further three-month PH - from the end of June 2020 to September 2020. And so – the BNPL payment due in August 2020 would've been extended by three months – to November 2020. The interest charged in August 2020 wouldn't have been due then. And by November 2020 - Mr W's partner had paid in more than £900, and so it's reasonable to assume that the interest due on the BNPL purchases wouldn't have been payable at all.

Payment holiday – September 2020: very declined Mr W's request. They gave the reason as – his account had received the minimum payments to it. I find that odd, as the FCA's guidance in place at the time – was that firms should agree to requests for PHs unless it wasn't in a customer's best interests to do so (for example, if they were in long term financial difficulty). I haven't seen in any of the guidance (bearing in mind the July 2020 guidance ran until the end of October 2020) that suggests that a PH could be declined if payments were up to date. That seems to me to be unreasonable. But if very have contrary evidence, they should send it when responding to this provisional decision.

But in any case – as I've said that very should've given a second PH to Mr W at the end of June 2020 – that would've meant that he'd then had the maximum of two PHs allowed – and so the request in September 2020 becomes effectively redundant. But – I don't think very's decision at that time was a reasonable one to take, and I can see that this caused further distress and anxiety to Mr W.

And so - my provisional decision is that very should: 1) rework Mr W's account as if he were given a second payment holiday starting at the end of June 2020 for three months. And refund any interest paid as a result of him not having had a second PH – that will certainly include a refund of the interest of £642.63 paid in August 2020; 2) remove any adverse information from his credit file; 3) I can appreciate the stress and inconvenience felt by Mr W. He had to ask his partner to pay in large sums of money – and says this put his relationship under strain. And in very's final response I noted he made 'multiple calls' to very to try to sort things out. And so, I think a compensation payment here of £200 is appropriate.

Mr W has asked for refund of the payments made of £972.47 – but I don't think that reasonable as it would effectively mean he wouldn't be paying for the goods he'd purchased.

Responses to the provisional decision:

Mr W accepted the findings, and so did very. Very said the refund of interest would be £642.63 (August 2020); and £63.22 (June 2020); £64.10 (July 2020); £61.69 (August 2020). A cheque would be issued for the compensation of £200.

I now need 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.

As both Mr W and very agreed with the provisional decision, I won't be changing it in issuing my final decision.

My final decision

I uphold this complaint. Shop Direct Finance Company Limited trading as very must:

- Rework Mr W's account as if he had a second payment holiday from end of June 2020 for three months and refund any amounts due to his account. This should include a refund of the BNPL interest of £642.63 paid in August 2020.
- Pay compensation of £200 for stress and inconvenience. Very have said a cheque will be sent to Mr W.
- Remove any adverse markers from Mr W's credit file for the period from April 2020 to November 2020.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 October 2022.

Martin Lord
Ombudsman