

The complaint

Mr B complains that Shop Direct Finance Company Limited trading as very (very) defaulted his account.

What happened

Mr B had an account with very. The limit was £1,325. His income was affected by the pandemic and he was placed on furlough. His account fell into arrears and he called very on 23 May 2020 – when the arrears were £104.60. He couldn't make the next payment and then the arrears would've been £248.60. Very put his account on hold for 28 days while he considered his situation. In July 2020, very put his account on a further 28-day hold. On 31 October 2020, Mr B called very after they'd sent him a Notice of Default dated 26 October 2020 – the arrears were then £698.48. On the call, very agreed with Mr B that he would make six payments of £177.67. The first four payments were made – the fourth one being 6 February 2021. The payment due on 10 March 2021 wasn't paid as the direct debit was returned unpaid. On 8 April 2021, very sold the debt to a debt collection agency (DCA). The balance was then £1025.54.

Mr B complained. He said that very hadn't acted fairly. He hadn't received any notification from them about the bounced payment on 10 March 2021 – and they'd sold the debt to a DCA without saying anything to him. He said that a default on his credit file would affect his job progression and he now can't get a mortgage because of the default.

Very said they'd acted reasonably. They said that before Mr B's debt was transferred to the DCA, they made attempts to call him and sent text messages, without response. Mr B hadn't brought his account up to date and so they passed the debt to the DCA.

Mr B brought his complaint to us and our investigator said very acted reasonably. Very had explained the terms of the arrangement they put in place on 31 October 2020, and Mr B had missed a payment. And she thought that in the round, because very had placed Mr B's account on hold from May 2020 until October 2020, very acted fairly in defaulting his account and passing it to a DCA.

Mr B didn't agree. He asked that an ombudsman look at his complaint.

I then reached a provisional decision where I said:

In setting out my views, I invite both very and Mr B to comment on what I have to say. I'm interested to learn from very about the specific detail of the communications they sent Mr B after the failed payment on 10 March 2021.

I first considered whether he should've been given a payment holiday under the FCA's pandemic support scheme.

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 – 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. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. 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 – usually evidenced by arrears, then payment holidays under this scheme weren't normally agreed.

I considered whether Mr B should've been given a payment holiday on these terms – because when he called very on 23 May 2020, he said he was due to return to work by 1 June 2020. But I don't think he qualified for a payment holiday. I say that because when he called very, he was already in arrears. I listened to the call – Mr B's job had changed, and he was taking a cut in overall income (as his bonuses were to be reduced). The income and expenditure he went through with very's call handler showed that even when he returned to work – his expenditure was more than his income. So – that meant that a payment holiday wasn't appropriate in his circumstances.

So – very agreed to a 28-day hold on his account, with no interest or charges. Mr B was to consider his situation and advise very. Very contacted Mr B again in July 2020 and it was clear on the call (which I also listened to) that Mr B wasn't ready to talk to very in any detail, so they put another hold on his account for another 28 days. It would've been helpful to both very and Mr B if he had engaged with very after that time, but I couldn't see he did. No payments were then received – and very sent Mr B a Notice of Default with the arrears at 698.48.

Mr B then called very on 31 October 2020 and I listened to that call. Mr B didn't want to complete a new income and expenditure form but told very he had returned to work – but was still struggling with his commitments. It was agreed that he would make six payments of £177.67, and the first one was paid on the call. Interest and charges were suspended. A direct debit was to be set up. The call handler advised Mr B that the arrangement would show as such on his credit file – but confirmed to Mr B that it wouldn't show as a default. She also said that the debt wouldn't be sold if Mr B made the payments he'd agreed to.

Mr B then made the next three payments on 4 December 2020, 14 January 2021, and 6 February 2021. But the payment on 10 March 2021 wasn't made - Mr B told us the direct debit was 'bounced' through lack of funds, but he only realised this later, in April 2021.

Mr B argues that if he knew what had happened, he could've done something about it – but he didn't get any notification from very. And then – on 8 April 2021 (according to the records I've seen from very), the debt was sold to a DCA. Mr B says that was unreasonably quick.

I don't dispute that very were entitled to pass the debt to a DCA. I say this because they'd served a Notice of Default on Mr B in October 2020 – and that remained in force until the arrears were paid off, and in March 2020 – the arrears were still £303. And so – very followed their processes. But strictly following a procedure or process can lead to an unfair

outcome for a customer in the individual circumstances of their situation. I think that's what's happened here.

I looked at the communications between very and Mr B following the failure of his payment on 10 March 2021. I looked at the contact logs provided by very. And (contrary to their final response), I couldn't see there were any letters, emails, calls or texts sent to Mr B after 10 March 2021. There didn't appear to be any notification that the payment on 10 March 2021 had failed. The last text was sent to Mr B on 8 March 2021 – a reminder that the next payment was due. But – that's all, until very sent an email on 20 April 2021 - to say that the debt had been sold to a DCA. Very also told us that Mr B's online statements were turned off and so paper statements were mailed to him. And the statement dated 20 March 2021 showed no payment had been made – but I presume this wouldn't have been received by Mr B for a few days after that. And it was only then that he realised that the payment had failed – and the debt was sold to a DCA shortly afterwards.

We also asked very about what was sent to Mr B when the payment plan was set up on 31 October 2020 - and it looks like nothing was sent to him. It would've been helpful if there had been a confirmation of the plan in writing.

As I've said – very had the right to pass Mr B's debt to a DCA – because of the arrears and the missed payment. But I do think it would've been reasonable to expect very to advise Mr B of the failed payment and the consequences of that – for example, if he didn't pay then the debt would be sold to a DCA. But – on the evidence I've seen they didn't. But – as I've said, I invite very to come forward with any evidence of communications with Mr B during that period.

So, my provisional decision is that very should remove the default from Mr B's credit file. And bring back the debt from the DCA and agree a mutually agreeable repayment arrangement with Mr B.

Responses to the provisional decision:

Mr B agreed with what I said. Very didn't respond.

I now need to make a final decision.
(continued)

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 Mr B agreed and very didn't respond, I'm not going to change from the provisional decision.

My final decision

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

- Remove the default from Mr B's credit file.
- Buy back the debt from the debt collection agency and agree a mutually acceptable repayment programme with Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 October 2022.

Martin Lord
Ombudsman