

## The complaint

Mrs S has complained Shop Direct Finance Company Limited trading as very (SDFC) held her liable for a catalogue account she says she didn't take out.

## What happened

SDFC says it approved an application to open a catalogue account in July 2021 and sent goods paid for using the account to its customer. The catalogue account had a limit of £750, and a single purchase was made using it.

Mrs S says she received correspondence about the account in September 2021, and she was surprised because she tells us she didn't take it out. She noticed SDFC had spelt her surname slightly wrong. She says no one in her household placed the order, and that she'd not had any other accounts opened fraudulently in her name. She asked a representative to speak to SDFC to find out what happened, but he explains SDFC didn't want to speak to him because certain verifications weren't passed. Mrs S says she doesn't recognise the SDFC account, and she hadn't had any invoices or bills relating to the purchase that was made on it for around £30.

Mrs S wrote to SDFC a few times over the next few months. But as she wasn't getting anywhere, she contacted the Financial Ombudsman in January 2022. Mrs S says she was shocked and stressed to receive the demand for payment. She requested SDFC clear the debt and remove her details. She was also unhappy her letters weren't being responded to. Mrs S said the negative information (from SDFC) on her credit file impacted a mortgage application.

SDFC continued to send letters about the arrears and in May 2022 it sold the debt to a debt company. It sent a final response letter for Mrs S's complaint and highlighted it sent the goods addressed to Mrs S at her address. It also said it acted fairly by selling the debt to a debt company after the arrears weren't paid.

Our investigator looked into the complaint. She noted Mrs S passed SDFC's application checks. But she also noted the account was placed on hold the day it was opened and SDFC tried to speak to the account holder to verify it was genuine. SDFC spoke to a woman it thought was Mrs S who mentioned placing the order. But the person didn't confirm their personal details or pass a security check. They asked the advisor to wait a moment but didn't return to the call. Our investigator said the quality of the recording was poor so she couldn't conclusively say whether or not it was Mrs S on the phone. Our investigator said there was a note on the account to release the order if the account holder called back. But it looks like the order was released without any further contact.

Mrs S says she never spoke to SDFC. And she said the number SDFC dialled isn't hers. Our investigator noticed SDFC could only provide a screenshot that showed the goods were delivered to Mrs S's address. It couldn't supply any further proof of delivery. Overall, our investigator didn't think SDFC had done enough to show Mrs S opened the account, or that she'd given someone else authority to open it on her behalf. So she thought SDFC should recall the debt, clear the balance and remove information about it from Mrs S's credit file.

Our investigator also thought about how SDFC had handled things generally. She noted that the letters Mrs S sent about the debt didn't include her name, so SDFC couldn't verify who sent them. She said it was only able to look into things when it had enough details to confirm who Mrs S and her representative were. She also thought there was insufficient evidence the mortgage application was declined solely as a result of the information SDFC had recorded in relation to the debt. So she didn't think SDFC needed to pay compensation.

SDFC responded to say the account flagged for a call after the first order had already been processed. And that no subsequent orders had been placed. It said it had no response from the actual account holder, despite the numerous letters it had sent. It said the only contact it had was from an unauthorised third party. That being said, as it had never been able to verify the account holder, it agreed to recall the debt, clear it, and remove any information about it from Mrs S's credit file.

Mrs S responded and questioned what checks SDFC carried out to open an account with a £750 limit. She reiterated SDFC had never spoken to her or responded to her letters. She said the account should have been put on hold before the order was released. She said she'd never had previous issues before when applying for mortgages. Mrs S wanted to be compensated for the distress and inconvenience, but she also wanted to make sure something is put in place to protect other customers from having to go through the same thing.

Our investigator responded to say it's not the Financial Ombudsman's role to consider the overall management of SDFC – she was looking at Mrs S's individual complaint. She said Mrs S's complaint about the lending decision was a new issue and not something that had already been considered by SDFC. So it would need an opportunity to respond to this complaint before the Financial Ombudsman could consider it. But she reiterated SDFC didn't receive contact from Mrs S herself and so it wasn't unreasonable it didn't respond.

Mrs S wasn't happy with the outcome. She said she wanted the complaint referred to an ombudsman, in summary, in order to:

- Protect other customers in similar situations.
- Enforce a proper code of practice within firms.
- Make sure SDFC places orders on hold when it can't get through to the prospective customer.
- Punish SDFC by ordering it to pay compensation/damages where the customer has been unfairly treated.

As things couldn't be resolved, the complaint has been passed to me to make a 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.

SDFC sought payment from Mrs S under a regulated catalogue account. Our service is able to consider complaints relating to these sorts of regulated consumer credit agreements.

I'm sorry to hear the matter has caused Mrs S distress and inconvenience. And I want to thank her and her representative for taking the time to bring her complaint to our service.

I want to acknowledge that I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I want to assure Mrs S and SDFC that I've reviewed everything on file. And if I don't comment on something, it's not

because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

I understand Mrs S wants the Financial Ombudsman to punish SDFC, but that's not something I'm able to do. And while I appreciate her concerns for other customers and her request for me to enforce a proper code of practice, it's my role to look into the specific circumstances of Mrs S's dispute and decide quickly and with minimum formality whether SDFC needs to do something to put things right.

I've first thought about SDFC's decision to open the account for the applicant. I can see there's a slight discrepancy in the spelling of the name used in the application and Mrs S's name. But it looks like the applicant knew enough of Mrs S's details to pass the checks, such as her date of birth. SDFC said it carried out checks with the credit reference agencies and that it thought based on the weight of evidence that the applicant was genuine. While Mrs S says some of the contact details are incorrect, she does live at the address that was provided. And the goods that were purchased on the day the account was opened were sent to that address. SDFC tell us the contact details Mrs S says were not hers didn't have any links to suspicious activity. So I can see why SDFC thought it was fair to open the account. There's not a clear indicator of fraudulent activity having taken place.

However, I agree with our investigator that I think more could have been done off the back of the call SDFC's fraud team made to who it thought was its customer on the day the account was opened. The person it spoke to knew about the goods that were ordered but didn't stay on the line to pass the security checks. Like our investigator pointed out, I can't conclusively say it was or wasn't Mrs S on the call. But given the concerns that had been raised, it would have been helpful had SDFC done something to confirm, like called back. I don't know whether the goods had already been dispatched by that point, but if they hadn't it would've also been helpful had SDFC put a stop on things. SDFC did, however, put a stop to further goods being ordered under the account.

As there's some doubt here, and it looks like SDFC may not have followed up on its own fraud checks, I agree with our investigator that recalling the account, clearing the debt and removing information on the credit file broadly seems like a fair way to put things right in the particular circumstances of this complaint. SDFC has agreed with the resolution too.

*Does SDFC need to do anything else to put things right?*

I've explained above the sort of things that don't fall within the scope of the Financial Ombudsman. But I've also thought about how SDFC acted in general as Mrs S has said she's unhappy with the way it dealt with things. I can see she's unhappy her representative couldn't resolve things over the phone. And she's also unhappy letters weren't responded to.

Turning first to the phone call attempt her representative made, it looks like SDFC wouldn't speak to him because he couldn't pass security or pass the phone to Mrs S. I can understand this must have been frustrating, but I don't think it's unreasonable that SDFC wanted to take steps to make sure it was speaking to the right person.

Similarly, I can see SDFC received letters about the account. The letters I've seen were sent by 'the occupiers' of Mrs S's address. As SDFC didn't know the letters were sent from Mrs S it thought its customer had left the address without notifying it. So I can see how the confusion has occurred here. It looks like SDFC were waiting for a call from who it thought was its customer. But I do understand why Mrs S thinks SDFC could have done more to look into things given she sent a few letters over a few months, and it wasn't receiving any payment towards the account.

Mrs S has also supplied a copy of a letter saying a mortgage application was declined due to adverse credit on either her or her husband's credit file. The lender referred to in the letter is a specialist lender. Like our investigator pointed out, without sufficient evidence showing her mortgage application was declined because of something that SDFC did wrong; that the loss was reasonably foreseeable and flowing from the mistake; and that Mrs S has tried to mitigate the situation, I'm not going to direct it to do something else to put things right. I appreciate that's a lot of evidence, but I have to be mindful that mortgages can be declined for a significant number of reasons.

All things considered, I think SDFC is acting fairly by agreeing to bring back the debt, clear its balance and remove the record from Mrs S's credit file. I'm mindful that when accounts have been opened fraudulently, the primary party that has caused the issue is the fraudster. SDFC is losing out here as well. I can appreciate why Mrs S is unhappy, and arguably SDFC could have done more off the back of the letters she sent in. But in the round, I think what it's agreed to do is a fair way to put things right. And I'm not making any further directions.

### **My final decision**

My final decision is that I uphold this complaint and, to the extent it's not done so already, Shop Direct Finance Company Limited trading as very must:

- Recall the debt and clear any outstanding balance that's due.
- Remove all record of the debt from Mrs S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 14 March 2023.

Simon Wingfield  
**Ombudsman**