

## **The complaint**

Miss M complains that Studio Retail Limited (“Studio”) unfairly recorded adverse information, including a default, with credit reference agencies regarding her running credit account.

## **What happened**

Miss M had a running credit account with Studio which was used to finance and purchase items in December 2020 and January 2021. Miss M subsequently told Studio she hadn’t authorised those purchases and did not receive the goods.

Studio responded to a complaint about non-receipt of the items in September 2021. It accepted one item hadn’t been delivered to Miss M and credited her the associated sum. It held Miss M responsible for the lending on the other items due to the time which had passed.

Miss M contacted Studio in May 2022 because it had defaulted her account. I understand that she repaid the balance of the account at this point. Studio didn’t change its position about the provision of the goods, but it refunded the cost of the purchases in question and paid Miss M £50 for compensation. It said that it had asked (presumably internally) whether the default could be removed, but subsequently said the request had been declined.

Miss M referred the matter to this service. She said that as a result of the default she’d had to move in with family, was almost declined a job and lending she’d taken out subsequently was subject to a higher interest rate than it otherwise would’ve been. Miss M said she hadn’t received the goods in question and was not told that her account would be defaulted. Miss M made a number of points about the unsatisfactory manner in which Studio had handled her complaint, and the significant adverse impact it had on her. She highlighted that Studio had agreed to remove the default, only to not do so. Miss M asked for the default to be removed and to be fairly compensated for the trouble and upset caused.

Our investigator said that Miss M’s complaint about whether she’d been provided with the goods in question wasn’t something we could consider as it was about Studio having acted as a retailer. They accepted we could consider whether Studio had handled Miss M’s regulated finance agreement fairly though. All things considered they found that Studio had provided lending to Miss M for the disputed items and as such she was required to repay it. They said that Studio had written to Miss M regarding the status of the account and the consequences of non-payment, so it was fair for it to default the account.

Miss M disagreed. She pointed out that Studio had refunded the cost of the items, implying that it had accepted they hadn’t been received, but still defaulted the account in any case. Miss M asked for an ombudsman’s decision on the case.

Subsequently, whilst awaiting allocation to an ombudsman, Miss M made this service aware that Studio had written to her to say that it had identified mistakes it had made in

relation to her account. It accepted that between August 2021 and July 2022 it hadn't reported accurate information with credit reference agencies. Its letter said it would "correct" the adverse information it had recorded, and it paid Miss M £50 compensation.

Before issuing this decision, I asked Studio to elaborate on exactly what mistakes it referred to having been made, what it had recorded with credit reference agencies in relation to Miss M's account and whether the default had now been removed.

Studio responded to say that it had recognised that whilst a freeze had been applied to Miss M's account, instead of suppressing fees, it had also suppressed statements, so they hadn't been sent to Miss M. It also said that it ought not to have reported any adverse credit information during the time in question and said it had "cleared" Miss M's credit file.

The case was passed to me and I issued a provisional decision on it. In summary, I said;

*In considering what I believe to be fair and reasonable in all the circumstances, I'm required to take into account relevant law, rules, guidance, codes of practice as well as what I consider to have been good industry practice at the time.*

*When the evidence is incomplete, inconclusive or contradictory, I've made my decision on the balance of probabilities – that is, what I think is most likely to have happened given the available evidence and the wider circumstances*

*I broadly agree with what our investigator said about our ability to consider Miss M's assertion that she hadn't received goods from Studio – it acted in two different capacities in dealing with Miss M; as a retailer as well as the provider of regulated lending.*

*In selling goods to Miss M, as well as handling any dispute about the provision of those goods, Studio was acting as a retailer. This service does not have the power to consider complaints about activities Studio carried on as a retailer, so I won't make any finding on this point.*

*That being said, Studio also provided Miss M with regulated lending, and I think her complaint – in the most part – is about how Studio handled her finance agreement. That's something this service does have the power to consider a complaint about.*

*The agreement Miss M had with Studio required her to repay the lending it had provided for the goods in question regardless of whether she had an underlying dispute about the provision of the goods.*

*I think it's fair to say that Miss M and Studio's version of events which led to this complaint differ significantly. For example, there's some ambiguity about when Miss M first raised her concerns about being charged for goods she didn't ask for or receive, as well as when Miss M made Studio aware that she'd changed physical and email addresses. That's a significant point because it seems that Studio had attempted to correspond with Miss M about the account at what she says were incorrect addresses during 2021.*

*In its submission to this service Studio accepts that despite recognising Miss M as vulnerable, it failed to investigate her assertion that she hadn't authorised purchases nor received the goods, in August 2021. It accepts that it failed to complete an investigation into Miss M's assertion of fraud. It says the outcome it ultimately reached on Miss M's complaint might have been different had it not failed to do this. Studio also accepts that it had found calls during which Miss M had suggested she was no longer living at the address it held for her, but it didn't question whether she'd moved. So, Miss M might not have received letters it had sent her.*

*Additionally, I think Miss M has raised a valid point in questioning why Studio chose to refund the value of items she said she didn't receive but continued to report a default nonetheless. Our investigator asked Studio to account for this, as if it had reached this position at an earlier date then arguably the default might not have been applied. In my view, Studio hadn't provided a clear reason for the rationale behind this. Additionally, I think it's clear that Studio gave the impression it would remove adverse information from Miss M's credit file but chose not to do so.*

*I find it plausible that Miss M didn't receive the correspondence Studio says it sent her about the status of the account and the need for her to make payments towards it. I say this for two reasons – firstly, Miss M's actions speak to it because she repaid the balance of the account at the point she says she became aware of the balance in May 2022. Secondly, Studio has accepted that it suppressed sending Miss M statements during the relevant period. So, whether or not Studio held the correct address for Miss M, I'm not confident that the letters it's shown this service were actually sent. And, given that Studio seems to accept it found evidence of Miss M having told it she wasn't living at the address it held for her, I think Studio's responsible if it tried to contact Miss M at an incorrect address.*

*I think it's fair to say that Studio hasn't been clear about what's it's now recorded regarding the account with credit reference agencies. Miss M has said that she can't see a default being recorded with credit references agencies anymore, but she's provided a screenshot from a credit reference facility provided by her current account provider which shows that a default was recorded by Studio during 2021.*

*Despite asking Studio specifically, it's not told this service whether it's still reporting a default regarding the account with credit reference agencies. However, for all of the reasons set out above, I'm not satisfied that it would be fair to continue to do so, if it still is. It seems to me that Studio has now accepted that it ought not to have defaulted Miss M's account on the basis that it was on a payment freeze. I think it's fair to say that even if that wasn't the reason the default ought not to have been applied, there are a number of other reasons it shouldn't have been – which I've explained above.*

*Given this, I require Studio to remove the default from Miss M's credit file, as well as any adverse information it recorded in relation to the account as far back as the original purchases she disputes – so December 2020. It should also record that the account was settled in May 2022. Additionally, I intend to require Studio to compensate Miss M for the trouble and upset she'd been caused by the way it's handled matters.*

*Miss M has spoken in detail about the impact of Studio's actions – particularly the application of the default – have had on her. From what she's said I accept that she was particularly vulnerable at the time the events which led to this complaint. And whilst she hasn't provided a significant amount of evidence about the impact the default had on her, I've found what she's said plausible – particularly that it made it difficult, or at least more challenging to obtain credit, that she had to move in with family as a result of not being able to secure a rental contract and that it could've potentially jeopardised employment opportunities.*

*In addition to this, I think it's fair to say that Studio didn't handle matters well. For example, it seems to accept that it failed to update Miss M's address, investigate her assertion that she hadn't authorised payments and, in my view, gave ambiguous answers about whether the default would be removed.*

*Taking all of those things into account, I think it's fair to say that Miss M has been caused*

*a significant amount of worry and inconvenience by Studio's actions. As a result, I intend to require it to pay Miss M a total of £500 to the extent that it hasn't already. So, that's to include the two lots of £50 already offered to Miss M.*

My provisional decision said that I intended to require Studio to;

- Remove the default it recorded with credit reference agencies as well as any adverse information dating back to December 2020 and record the account as settled in May 2022; and
- Pay Miss M £500 compensation to the extent that it has not already.

Studio accepted my provisional decision. Miss M said that the compensation I said I was going to require Studio to pay was insignificant, due to the mental strain caused and the implications it had on her. She asked for a higher level of compensation.

The case has been passed back to me to make my 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.

Neither party has provided what I consider to be materially new evidence in response to my provisional decision. As a result, I find no reason to depart from my position that to fairly resolve matters Studio should remove adverse credit information and pay Miss M compensation.

I've given careful thought to what Miss M has said on the level of compensation I intended to award. I've also revisited and reconsidered all of her submissions about the impact matters had on her. Having done so, and mindful of awards made by this service in cases of a similar nature, I'm satisfied that a total of £500 compensation is a reasonable amount for Miss M to receive as a result of the trouble and upset she's been caused.

### **My final decision**

For the reasons explained above, my final decision is that I require Studio Retail Limited to;

- Remove the default it recorded with credit reference agencies as well as any adverse information dating back to December 2020 and record the account as settled in May 2022; and
- Pay Miss M £500 compensation to the extent that it has not already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 October 2023.

Stephen Trapp  
**Ombudsman**