

The complaint

Miss A complains Next Retail Limited failed to refund her account correctly after she returned items she had ordered.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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.

Having considered everything, I've reached the same conclusions as our Investigator, for the reasons below.

Neither party disputes the items Miss A ordered were returned, and that she was eligible for a refund. The issue in this case is whether the refund was credited to the correct account. Miss A believes she paid for the ordered items from her personal account, and in turn the refund needed to be credit there. However, having reviewed her statements and terms of the account it appears that she is mistaken about the way her account works and how the order was processed.

Miss A didn't have a sufficient credit balance available at the time she wanted to place her original order. So, she was asked to make a payment (equal to the amount of the items she wanted to order) to bring her balance down. And when Miss A was asked to make the payment to bring her balance down (to allow the order to go through) she would have seen a message that said:

"Additional payment required

On this occasion you are required to make a payment to add the order to your credit account. This payment will pay down the balance of your credit account to allow your order to be added..."

Given the message above, I consider Miss A was provided with the necessary information to help her understand that order was being processed via her credit account. And that the payment she was making was going towards bringing down the balance of her credit account – not for the purchase price of the items she was ordering.

As the items were purchased on credit, when Miss A returned them, the refund needed to be credited to her Next account. This is supported by the terms and conditions of Miss A's account where it says, "16. Any items returned in accordance with our returns policy (which can be found at www.next.co.uk/terms) will appear as a credit when received by us, on your next statement." And having reviewed Miss A's statement I can see that is what happened when the items were returned on 15 March 2023. In light of this, I'm satisfied that Next did

the right thing in the first instance.

The problems occurred as Miss A misunderstood how her account worked and asked for her refund to be credited to her personal account. Next has been unable to provide me with a copy of the call recording (from 20 March 2023) in which this matter was discussed, so I've been unable to hear how things were explained to Miss A. But Next has said their adviser explained how the account worked and offered to pay the refund to Miss A's personal account on this occasion. But because they were doing that, they needed to debit the same amount that had already been refunded to Miss A's Next account. In other words, they were moving the refund from Miss A's Next account, to her personal account. Again, having reviewed Miss A's Next statement, I can see that happened with the way her balance was adjusted when these transactions occurred.

Despite this call on 20 March, it seems Miss A was still confused about what she was owed and where this amount needed to be paid, so she called Next again the following day. Again, I've not been provided with this call. But what I've seen is that this second advisor did the same thing with the refund i.e., they refunded the items that had been returned to the credit account and moved that refund to Miss A's personal account. This advisor also credited Miss A's Next account with £5 to cover any interest she might be charged due to the debits on her Next account, and they credited her Next account with £20 in recognition of the distress and inconvenience caused.

I can understand why Miss A has found this incident confusing as this is particular process of ordering when there is an insufficient credit balance can be somewhat confusing. However, I am satisfied that the terms of her account and the message she would have seen when making a payment (so that she could place the order) ought to have alerted her to the fact the order was going through her Next account. And the steps Next took haven't resulted in her suffering any financial loss. But I do agree that Next's level of customer service unfortunately fell short when their advisors went outside of their normal policy when trying to help Miss A. In particular, the second advisor's failure to properly check the previous advisor's actions on the account only exacerbated Miss A's confusion. It's for that reason, I don't think Next's £20 award for distress and inconvenience goes far enough to recognise the impact their mistake had on Miss A.

The circumstances of this complaint demonstrate that Next's advisors needed to take more time and/or care than they did to properly explain how the account works, and what impact their actions would have on Miss A's outstanding balance on her account. That's because her queries clearly demonstrated she had misunderstood the terms of her account. As they didn't do that, Miss A continued to be confused by their actions. This resulted in additional confusion and frustration – it also resulted in her being inconvenienced when trying to understand what was happening and why. It's for this reason I agree with our Investigator that an award of £100 is a fair and reasonable resolution to this complaint. Moving forwards, Miss A needs to be aware of how her account works when making orders, because Next are not obligated to credit refunds to her personal account if orders are placed via her credit account (as happened in this case).

For the reasons above, I'm upholding Miss A's complaint.

My final decision

My final decision is that I'm upholding Miss A's complaint about Next Retail Limited.

To put things right, Next Retail Limited should pay Miss A £100 in recognition of the distress and inconvenience caused by their mistakes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 2 April 2024.

Sarrah Turay
Ombudsman