

The complaint

Mr C is complaining about Frasers Group Financial Services Limited trading as Studio because he says it ended his reduced payment arrangement without his knowledge and then repeatedly ignored his requests to set up a new one.

What happened

Mr C had a catalogue shopping account with Studio. In November 2021, he contacted it to say he'd lost his job and wanted to set up a payment arrangement for a token monthly amount of £5. Studio agreed to this request and no interest or fees were charged while this agreement was in place.

Studio ended the agreement in November 2022 after it had been in place for 12 months. In December 2022, Mr C contacted Studio because he noticed the minimum payment had increased and interest was being charged again. Studio responded on 6 January 2023 to explain the payment plan had ended because they hadn't been able to contact him to discuss whether it was still needed. It gave number to call if he still needed further support.

Mr C made no further payments to the account after November 2022. From January 2023 until he complained in June, Studio says it wrote a number of letters to Mr C encouraging him to make contact and discuss restarting his payments. At the same time, Mr C says he sent a number of emails to Studio that were not responded to.

Shortly before Mr C complained in June 2023, Studio wrote to confirm its intention to put the account into default. Since the complaint has been referred to us, I understand this process has been paused and the account has not been sold or passed to debt collectors. Studio has told us it's still willing to discuss Mr C's arrangements before taking further action.

Our investigator concluded the complaint should be partly upheld. She felt Studio should have been clearer about when the payment arrangement would end. But in view of the fact Mr C hadn't made any payments since November 2022, she didn't think it should have to refund any interest or charges applied to the account since then.

Mr C didn't accept the investigator's assessment. He maintains he tried to resolve the situation but wasn't able to do so because Studio didn't reply to his emails.

The complaint has now been referred to me for review.

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.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

I'm satisfied Studio made a genuine effort to support Mr C when accepting his proposal to make a token monthly payment. It says the payment plan was set up for a period of up to 12 months but I don't think this was clearly explained when it wrote to him to confirm the arrangement on 15 November 2011. Nor was this time period explained when Studio wrote to Mr C on 1 July 2022, a letter he says he didn't receive and which merely stated the arrangement allowed him to make reduced payments "for a period of time". I understand Studio then didn't contact Mr C before ending the payment arrangement in November 2022.

I think it's reasonable to expect that Studio should have made its intentions clear regarding the period it was willing to accept reduced payments and/or given some sort of warning when this was due to end. It's for this reason that I'm partly upholding Mr C's complaint.

Turning to what happened after the payment arrangement came to an end and Mr C was told about this, Studio has provided copies of a series of correctly addressed letters informing Mr C about the status of his account and encouraging him to make contact to discuss. The evidence he's provided also appears to show it contacted him by email and/or text message. On balance, I'm satisfied Studio made a genuine effort to engage with Mr C about how he could continue to make payments to his account.

At the same time Mr C was attempting to contact Studio by email. Studio says the email address he was using wasn't set up to receive incoming messages, meaning it didn't see his contact. It's provided a screenshot of an automated message it says Mr C should have received in response to his emails. If Mr C had seen this response, I'm satisfied it would have been clear that his emails hadn't been successfully delivered. The sequence of events suggests Mr C didn't see any automated replies – maybe they went straight to his junk mail folder – but I am persuaded that Studio didn't see his messages and didn't know he was trying to make contact.

This is a very unfortunate situation where both parties were trying to contact each other but weren't able to come together to discuss arrangements for the account. But whatever he thought about Studio not responding to his messages, there was an onus on Mr C to make payments to service his debt and he made no payments at all after November 2022.

Mr C says he prefers to communicate by email because it gives him a written record of what's been discussed and there's nothing wrong with this. But when he didn't receive a response to his emails, I think it's reasonable to expect he should have attempted to contact Studio in another way. He could have telephoned for example, even if only to establish contact and identify a valid email address for further written correspondence. Because he didn't do this or make any payments, I think Studio was entitled to revert the account to its normal status and administer it in line with the terms and conditions.

On balance, I don't think Studio acted incorrectly after the payment arrangement ended in November 2022 and I won't be telling it to reimburse interest and fees applied in line with the account terms and conditions after this date. I realise this outcome will be disappointing for Mr C, but I'm satisfied it's fair and reasonable in the circumstances.

Putting things right

I've no doubt Studio's failure to make Mr C aware it was planning to end his payment arrangement came as a shock to him when he realised and caused unnecessary distress and inconvenience that could have been avoided if it had made its intentions clear.

The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same set of circumstances can impact different customers in different ways. But on balance, I believe a modest compensation payment of £100 as proposed by the investigator would represent a fair and reasonable settlement to this complaint.

Moving forward, Studio has confirmed it's willing to discuss his arrangements with Mr C and I'd encourage him to take up this offer if he wants to avoid the account defaulting and this being reflected on his credit file. To avoid the issues he's experienced with contacting Studio previously, I suggest he makes contact by telephone at least to start with. If he wants to communicate by email after that, he can use the call to establish an email address for Studio that's set up to receive incoming messages and monitored by someone in a position to discuss and act on his requirements.

My final decision

For the reasons I've explained, I'm partly upholding Mr C's complaint. Subject to his acceptance, Frasers Group Financial Services Limited trading as Studio should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 March 2024.

James Biles
Ombudsman