

The complaint

Mr J has complained that Studio Retail Limited is holding him liable for a debt in relation to a credit agreement he says he didn't take out.

What happened

The circumstances of the complaint are well known to the parties so I'm not going to go over everything again in detail. But, in summary, Mr J says he was the victim of an online romance scam. He said he was misled into providing his personal details and copies of identification documents to a third party. I understand a catalogue account was opened with Studio in Mr J's name in October 2022. Purchases for goods were made on the account. Mr J says the third party told him to expect goods to be sent to him and to forward them on, which he did. Mr J says he didn't realise the goods were paid for under a credit agreement in his name. He says he had no idea one was set up. I understand Mr J raised the issue with Studio in December 2022. The debt of around £600 related to two tablets that were purchased when the account was opened.

Studio responded to say it didn't have sufficient evidence the account was opened fraudulently so it would not stop seeking payment from Mr J. Mr J referred his complaint to our service. Our investigator thought Mr J's testimony was persuasive. She reviewed several transcripts of conversations between Mr J and the third party. She thought Mr J was the victim of a sophisticated romance scam that lasted for several months. She didn't think Mr J had opened the account himself or that he'd given the third party any sort of authority to do so on his behalf. She didn't think he placed the order for goods that were bought using the credit agreement. She didn't think the email address attached to the account was Mr J's. She noted Studio hadn't supplied evidence it carried out identification checks when the application was made. The application was made online, and our investigator noted it was quite a simple process. She agreed the goods were sent to Mr J, but she explained he'd shown he posted them shortly after receipt. Ultimately, she didn't think Mr J had consented to the account.

To resolve matters, our investigator recommended Studio end the agreement and refund anything Mr J had paid towards the agreement. She also recommended the agreement was removed from his credit file.

Mr J accepted the recommendations, but Studio didn't. In summary, it said our investigator's suggestion that ID should've been requested wasn't reasonable. It said its application checks were robust and the data captured in Mr J's case didn't raise any flags. It acknowledged the account may have been opened because Mr J was scammed, but it said that would be a civil matter. It said it can't be blamed for the situation Mr J found himself in.

As things weren't resolved, the complaint has been passed to me to decide.

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 want to acknowledge 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'm required to decide matters quickly and with minimum formality. But I want to assure Mr J and Studio 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.

Studio sought payment from Mr J in relation to a catalogue account, and our service is able to consider complaints relating to these sorts of regulated consumer credit agreements.

I'm sorry to hear Mr J has been the victim of a scam of this nature that looks like it was ongoing for some time. I can't imagine how he must feel.

Based on what I've seen, I think Mr J's testimony and supporting evidence does indicate that he didn't open the account or order the goods. But, like our investigator pointed out, I also need to consider whether he gave the third party actual or apparent authority to open the account on his behalf. Based on what I've seen, while I can appreciate Studio says it wasn't to know anything was wrong, I've not seen enough, on balance, to say Mr J gave any sort of authority to the third party either. While the chat transcripts are not easy to read, I think, on balance, Mr J thought he was receiving goods that were bought by a third party, and that he was going to send them on for them.

I can see around the time the Studio account was opened other orders were placed through two different catalogue accounts presumably using a credit facility, but both firms didn't accept the orders and wrote to Mr J telling him he'd need to pay with a debit or credit card. An application for a credit card was also made but the firm wrote to Mr J to confirm his identity, and it said if his details had been misused it would record it on a fraud sharing database.

I've also seen that Mr J's details were added to a national fraud sharing database because he'd been the victim of impersonation – current address fraud. This was added by a lender in 2023 and related to an application on 19 October 2022 – the day before the Studio account was opened. It seems the third party made several applications around the time they were able to obtain enough personal information from Mr J. From what I've seen, half the applications weren't agreed, but two were.

Studio hasn't been able to provide us details of the IP address used to put in the application or make the order, but I suspect if that information was available, it would show it wasn't Mr J that opened the account or placed the order. I do note that Studio's notes set out amongst other things: *HIGH RISK ORDERS; ...SHOWS LONDON IP – HIGH RISK*. And it also says *FRAUD INDICATORS BUT NOT ENOUGH TO LCLOSE FOR FRAUD* [sic]. It looks like the email address used might've matched someone else as well. So I think Studio had some concerns, at least at the point it conducted a fraud investigation. But Studio didn't think it had seen enough for it to close the account as fraudulent.

I can understand Studio's argument and that as part of its security measures it would only send goods to the address it had on file. That's what happened in Mr J's case. It's not in dispute he received the goods. But he was led to believe these had been paid for by someone else and he was coerced to send them on.

Mr J has been forthcoming with information. And while I appreciate why Studio has said he needs to take it up with the third party because it's a civil matter, I still need to consider if Studio was fairly allowed to seek payment from Mr J under the credit agreement. I've found,

on balance, that Mr J didn't consent to the agreement, nor do I think he gave the third-party any sort of authority to open up a credit agreement on his behalf, so I don't think Studio had the grounds to seek payment from him under the credit agreement he didn't agree to. This for me, is the key aspect of the complaint. I therefore agree with our investigator's view that the agreement should be ended, and any payments made should be refunded to Mr J.

My final decision

My final decision is that I uphold this complaint and direct Studio Retail Limited to:

- End the agreement with nothing further to pay and remove all record of it from Mr J's credit file.
- Refund Mr J anything paid under the agreement.
- Interest should be added to the refund at a rate of 8% a year simple from the date the of payment to the date of settlement.

If Studio considers it is required to deduct tax from my interest award it should provide Mr J a certificate of tax deduction so he may claim a refund from HMRC, if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 February 2024.

Simon Wingfield
Ombudsman