

The complaint

Mr A has complained that Shop Direct Finance Company Limited trading as Very ("SDF") acted irresponsibly when it provided him with a catalogue shopping account in 2011 and increased its limit multiple times between then and 2022.

Background

Mr A opened a credit account with SDF in June 2011 that had an opening limit of £1,000. Between 2011 and 2022 the limit was increased multiple times. Mr A has said that the account was never affordable for him, and SDF shouldn't have provided it in the first place and should never have increased his limit. He wants the business to refund all interest and charges that it has applied to the account.

SDF upheld Mr A's complaint in part. It said that the lending increased in May 2016 was wrong and upheld the complaint from that point. So, it offered to refund all the interest and charges that had been applied to Mr A's account after the limit increased above £4,500. However, once it had completed those calculations it found that Mr A's account had never exceeded £4,500, despite having a higher upper limit, and so no refund was actually due.

Mr A was unhappy with SDF's calculations and said he believed that a refund must be due and that his account balance had exceeded £4,500 at times. So, he brought his complaint to our service.

One of our investigator's looked into it and found that the offer SDF had made, in regard to refunding all interest and charges added to the account, above a limit of £4,500, was reasonable. He also asked SDF to provide evidence of its calculations so he could verify whether or not Mr A was entitled to a monetary refund. SDF explained that since it issued its final response letter to Mr A, the Buy Now Pay Later ("BNPL") balance on his account had exceeded £4,500 and so it had refunded over £1,670 to him.

Mr A remained unhappy with the investigator's findings and doesn't think the money he has received from SDF since bringing his complaint to our service is representative of all the interest he's paid over the years. He repeated he wanted all interest paid refunded in full and asked for a decision and so the case has been passed to me for consideration.

My Findings

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 agree with the findings reached by our investigator in relation to the settlement offer made by SDF as I also think it's fair and in line with what we would expect it to do. So, I'm not going to ask it to do anything more in relation to Mr A's complaint. I appreciate this will be a big disappointment for him, so I've set out my reasons below.

SDF has accepted that it was wrong to increase Mr A's account limit above £4,500. I've previously issued a jurisdiction decision in relation to Mr A's complaint. In it I explained that

our rules prevent me from considering any lending decisions made by SDF in relation to Mr A's account prior to 2017. So, I can only consider the lending decisions made by SDF from 2017 onwards.

What this means for Mr A is I can't question whether or not it was appropriate for him to be given a credit limit of £4,500 or ask the business to refund any of the fees or charges applied to his account before May 2016 which is the point SDF have upheld his complaint from. Our rules don't allow me to look into that for him.

SDF has said it was wrong to increase Mr A's account limit beyond £4,500 and so have upheld his complaint. Normally when a business increases the limit on something like a store card or a credit card, if we find the limit increase was inappropriate we'll ask the business to refund interest fees and charges associated with the limit increase to the consumer. In this case I can't ask SDF to refund anything below a £4,500 limit. So instead, SDF has to refund all interest and charges paid above £4,500. But any interest or charges added to purchases below £4,500 are still allowed to be added to the account as normal, and Mr A is still obliged to pay these.

This is why Mr A hasn't received all of the interest and charges back that he was expecting. In order to ensure we were happy with the way in which SDF calculated Mr A's refund we asked it to provide some evidence which it has done. This has been reviewed and I am satisfied that the refund Mr A confirmed he received since bringing his complaint to us is because the limit has exceeded £4,500 on occasion due BNPL items running past their interest free period. SDF has explained that this is dependant on how Mr A manages the account and if the remaining BNPL items are repaid during the interest free period then no further refunds will be made.

I understand that this has been a frustrating and confusing experience for Mr A. His complaint was upheld and naturally he expected a refund. He has received one, and although it's not as large as he expected and hasn't been repaid as a lump sum, having reviewed the evidence provided by SDF I'm satisfied that the refund is appropriate and nothing further is currently due to Mr A.

For those reasons, although I uphold his complaint, I won't be asking SDF to provide him with an additional monetary settlement. However, SDF does need to continue monitoring Mr A's account and ensuring that no further interest refunds are due as a result of BNPL items.

Putting things right

I don't think SDF needs to provide Mr A with any additional settlement at this moment.

My final decision

For the reasons set out above I uphold Mr A's complaint against Shop Direct Finance Company Limited trading as Very.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 April 2024.

Karen Hanlon
Ombudsman