

The complaint

Miss B complains about the handling of her account by Shop Direct Finance Company Limited trading as very (Shop Direct).

What happened

On 7 March 2022, Miss B purchased an iPhone 13 from Shop Direct on Buy Now Pay Later terms. Full payment was due by 27 March 2023. Miss B made minimum monthly payments until then. Shop Direct acknowledges the monthly payments but says it didn't receive full payment from Miss B by 27 March 2023, so interest of £293.28 was added to the remaining balance of £500. The resulting balance of £793.28 was moved over to her "Flex Account".

On 9 November 2023, Miss B spoke to Shop Direct to check the balance of her Buy Now Pay Later account (she'd bought other items on Buy Now Pay Later). She felt the balance was wrong as she believed she'd been making minimum payments to that account. The advisor explained that the payments she'd been making had been applied to the Flex account rather than the Buy Now Pay Later. Miss B said the Flex account should be clear as she had fully paid off the iPhone 13 by the due date.

Miss B questioned why she hadn't been told on a previous call that the minimum payments she was making were not going to the Buy Now Pay Later, and that a balance was outstanding on the Flex Account. The advisor said there was no record of a previous call. Miss B raised a complaint saying she'd paid the outstanding balance of £500 before it was due, there was a problem with the Shop Direct app, and that the advisor had said there were no previous calls.

Shop Direct looked into Miss B's complaint and issued a final response letter. It said it hadn't received the £500 final payment. It explained that led to interest of £293.28 being applied and the total balance being transferred to her Flex account. It acknowledged that there had been a previous call in July 2023, but said that was simply about resetting her password for the app, and making a minimum payment. Shop Direct upheld her complaint about having been told there were no other calls, but didn't uphold the complaint about the balance of the account.

Miss B didn't accept what Shop Direct said, so she referred her complaint to this service. One of our investigators looked into it and said that she felt Shop Direct had complied with the terms of the account. She explained Shop Direct had no record of Miss B accessing the app at the end of March 2023 to make the final payment, or of the payment itself.

Miss B didn't agree with our investigator's view of the complaint. As there was no agreement, it has been passed to me for a 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.

I've focussed my decision on the main issue of Miss B's complaint which is that she says she shouldn't be liable for the interest for the iPhone 13 as she believes she paid it off while it was on Buy Now Pay Later. I acknowledge she also complained that one of the advisors she spoke to on 9 November 2023 said there were no calls earlier in the year which wasn't correct. Shop Direct has acknowledged that and apologised. I think that is fair in the circumstances.

Was the final payment made on time?

Miss B has told us she tried to pay the remaining £500 for the iPhone 13 on the app but it didn't go through. She's sent some screenshots to support that, but they are undated and don't show the payment was completed. We asked Miss B for a copy of her bank statement to see the money leaving the account. Miss B has told us that the transaction was only ever pending, and as it didn't complete, it doesn't show on her statement. So it's difficult for me to conclude – without any evidence showing it – that the payment was sent from her bank.

Shop Direct has sent us contact notes and an “online journey” which show when Miss B accessed the app. I can see she accessed the app on 10 March 2023 and then not again until 22 April 2023. I can't see anything on either system which shows she logged on to the app around the payment due date of 27 March 2023. So, without any evidence to show she made the payment on or before that date, I can't reasonably conclude that it was received by Shop Direct.

Miss B told Shop Direct that on the date she tried to make the final payment, she “paid £500. I had technical problems with the app. As soon as the app was working, I paid it”. I think if Miss B had technical difficulties, she'd have made sure the payment had gone through, perhaps by checking it had left her bank. And given the size of the payment, I think it's likely she could have noticed sooner that the money hadn't been sent to Shop Direct.

I'm sorry to disappoint Miss B, but I don't have evidence that the final payment of £500 for the iPhone 13 which was due on 27 March 2023 was made, or enough evidence that she tried to make it and there was a problem.

Was it fair for Shop Direct to apply interest to the Buy Now Pay Later agreement?

Buy Now Pay Later agreements allow consumers to buy an item on the basis that they'll repay it later. No interest is added to the amount of that purchase for that time, so the consumer pays just the amount of the item if they pay the entire balance before the due date. They can make regular payments to the account if they wish, but the balance must be clear by the end date. If any balance remains outstanding, then interest is applied for the whole of the period based on the whole transaction. Consumers are kept informed of the balance owing through their monthly statements which also say when the total balance is due to be repaid.

In this case, Miss B agreed to buy an iPhone 13 on 7 March 2022 for £729. She did so on a Buy Now Pay Later basis and the whole balance was due on 27 March 2023. She made some payments during the course of the year and by 27 March 2023, the balance was £500. Shop Direct generated statements each month on the account which gave the date the final payment was due. And Miss B has said through the course of her complaint that she was aware the payment was due as she says she tried to make the payment on time.

I've listened to a call Miss B made to Shop Direct on 26 July 2023 as she was having trouble accessing the app because she'd forgotten her password. She also said she wanted to make a minimum payment. The call handler explained how she could reset the password and took payment over the phone. Miss B didn't ask any questions about her account

balance or ask to check what payments had been received. There was no indication during the call that Miss B was concerned about the payment having been misapplied or missed entirely.

I've asked Shop Direct for copies of any other calls between it and Miss B between 1 March 2023 (before the final payment was due) and 9 November 2023 (when she raised her complaint). It has told me it has no records of any conversations other than the one described above and the call where she logged her complaint.

Overall, I have no evidence to show that the payment was made. So I can't reasonably conclude that it was unfair for Shop Direct to apply interest to the outstanding balance. This will have been evident to Miss B through her April 2023 statement onwards. As she says she tried to make the payment on the due date, I think on balance, it would have been evident to Miss B that £500 had not left her bank account to settle the amount. And she would have been able to see on her April 2023 statement that the balance had moved from Buy Now Pay Later to her Flex account.

Conclusion

On balance, I'm not convinced that the final payment of £500 was made to Shop Direct before the due date of 27 March 2023. So, I don't think it was wrong for Shop Direct to add interest to the amount of the transaction in line with the terms of the Buy Now Pay Later agreement Miss B had entered into.

I know my decision will come as a disappointment to Miss B, but without evidence that the payment was made on or before 27 March 2023, I can't reasonably uphold her complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 January 2025.

Richard Hale
Ombudsman