

The complaint

Mr B complains Frasers Group Financial Services Limited (“Frasers”) unfairly asked him to repay lending in respect of goods he returned.

What happened

Mr B says he returned an item he purchased using his Frasers account in July 2023. When he didn’t receive the refund, he says he contacted Frasers several times, and asked for his account to be suspended. Frasers applied the refund in October 2023 and removed the interest in December 2023. As Mr B felt his account showed the incorrect balance, he didn’t make the required minimum payments.

Mr B was unhappy about the requested payments and the effect on his credit file so complained to Frasers. It reviewed the complaint and said Mr B was still required to continue making payments towards the balance as he made other purchases on the account. Frasers felt the information recorded on the credit file accurately reflected Mr B’s account and wasn’t willing to amend it.

Our investigator thought Frasers hadn’t done anything wrong. They said we couldn’t hold Frasers responsible for the retailer’s delay in refunding the amount. They also felt Frasers accurately reported the status of the account as Mr B failed to make payments that were due and Frasers weren’t required to suspend the account.

Mr B disagreed. He thinks he was treated unfairly as he was asked to pay for something he didn’t have to, and his credit score was adversely affected. He’s also unhappy he asked Frasers to suspend his account whilst it looked into the return and it didn’t do this.

As Mr B disagreed, the case was passed to me to make a decision.

I issued a provisional decision on this complaint in May 2024, setting out why I intended to uphold Mr B’s complaint. I’ve set out a summary of my provisional decision below.

- Frasers explained there were system issues due to the separation of the financial services side and retail side, which meant returns weren’t being recognised and had to be manually inputted upon request. It also said the volume of the refunds were extensive and crediting the accounts took time.
- The evidence shows Mr B contacted Frasers about the returned item in July and September 2023, but the refund wasn’t applied until October 2023. I didn’t think it was reasonable Mr B was impacted by Frasers’ internal decision to separate and had to chase his refund so recommended £100 compensation for the distress and inconvenience.
- I didn’t think Frasers did anything wrong in requesting payment towards the remaining balance. Based on the terms Mr B agreed to, he was required to make at least the minimum payment every month and he didn’t. Whilst I thought Frasers should have applied the credit sooner than it did, Mr B was required to make

payments for the other items purchased using his account, and I couldn't see he did this.

- I explained that I couldn't say Frasers did anything wrong if it shared Mr B's payment history. It has a duty to report information fairly and accurately to credit reference agencies. So it can report the status of the account if payments made are for less than the minimum amount or not made at all. I noted that I haven't considered any inaccuracies on the report or the default letters Mr B received as he hasn't complained about it, and this would be a separate complaint.
- I also addressed Mr B's concerns about Frasers failing to suspend his account. I said I wouldn't expect a business to suspend an account due to an outstanding refund when other payments are due.
- Lastly, I explained that as Mr B didn't make some of the monthly payments towards the remaining balance, I felt suspending payments for the amount in dispute wouldn't have made a difference in this case.

Responses to my provisional decision

Mr B accepted the provisional decision.

Frasers responded to my provisional decision to say it disagreed with what I'd said. In summary, Frasers said:

- It hasn't mismanaged the account and was only the credit provider. The issue was caused by the retailer and any compensation should be sought from them.
- The provisional decision referred to Studio but they are a separate company.
- The regulated aspect of the complaint is in relation to the credit, and this is being reported accurately.

Following this, I approached Frasers to inform it of Mr B's acceptance of the provisional decision and address their response. In summary, I said:

- I referred to Studio because Mr B holds a Studio Pay account. But for clarity, I'll refer to them as Frasers.
- Whilst I acknowledge the system issues were on the retailer's end, the contact notes show Mr B contacted Frasers on two occasions to explain his balance was incorrect, and I haven't seen anything to suggest Frasers informed him of the issues or helped to resolve his concerns.
- It took an additional three months from when Mr B first contacted Frasers about his account for the credit to be applied. I understood applying the blind credits upon request had taken time, however Frasers was aware of the system issues and that a refund was due before October 2023. Therefore, I can't say it wasn't responsible for some of the delay in crediting Mr B's account.

Frasers still disagreed so the complaint has been passed back 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've taken on board the comments Frasers made following my provisional decision. However, I still don't think it provided Mr B with the service he should have received.

There is a requirement for firms like Frasers to comply with the Principles of Business which are set out by the Financial Conduct Authority (FCA). Principle 6 requires Frasers should pay due regard to the interest of its customers and treat them fairly.

Whilst I accept the system issues stemmed from the retailer, I would have expected Frasers, in compliance with the principle set out above, to have taken reasonable steps to assist Mr B when he contacted it about his outstanding refund.

Frasers knew the retailer was experiencing system issues which were impacting returns but failed to inform Mr B of this. And had it done so, I think Frasers would have alleviated some of Mr B's concerns.

I acknowledge the volume of refunds from the retailer were substantial and it took time to make the necessary adjustments on accounts. However, Frasers decided to assist its account holders such as Mr B following the system issues suffered by the retailer by providing some customers with blind credits for the refunds due.

It seems likely some of the delay Mr B suffered was a result of Frasers not having the capacity to manage these blind credits in a timely fashion from what it has said. And I think Mr B has lost out because he had to wait to get his refund which should have been processed sooner. So I think Frasers has treated Mr B unfairly as it knew there was an issue impacting its customers and didn't address this issue with Mr B in a reasonable time.

Based on what I've seen, Mr B suffered stress and inconvenience which in part was due to Frasers' actions, so I think it should pay compensation to address this. And I think £100 is a fair award in the circumstances.

Putting things right

In my provisional decision, I said I intend to ask Frasers Group Financial Services Limited to pay Mr B a total of £100 compensation for the distress and inconvenience. I'm still satisfied this is a fair outcome.

My final decision

My final decision is that I uphold this complaint and direct Frasers Group Financial Services Limited to pay £100 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 August 2024.

Tania Henry
Ombudsman