

The complaint

Miss S has complained about how Shop Direct Finance Company Limited treated her after she began to experience financial difficulties. Miss S is represented in this complaint by her father, Mr S.

What happened

My provisional decision of 10 February 2025 set out the background to this complaint:

“Miss S was diagnosed with two serious illnesses that meant she was unable to work and maintain her contractual repayments. Miss S had not placed any orders on the account since October 2022.

In December 2022, Miss S contacted Shop Direct as she had been off work for about two months and didn't receive sick pay. Shop Direct agreed with Miss S that she would make 42 monthly repayments of £68.32 to repay the outstanding balance. Shop Direct said Miss S did not keep to the repayment plan, which was suspended in April 2023.

On 5 August 2023, Miss S made a payment of £20 towards the outstanding balance owed. On 10 August 2023, Miss S emailed Shop Direct. She said she wanted to set up a payment plan for £70 per month. Miss S said she had been out of work for the past year due to ill health, and the minimum payment “isn't doable”.

On 15 August 2023, Shop Direct told Miss S her account was in a late stage of arrears and if she did not keep up with repayments, her account will be defaulted and passed to a debt collections agency. If Miss S felt she'll struggle to make her repayments, it could offer her options. It asked her to fill out an income and expenditure form on its website. Miss S couldn't find the form so Shop Direct emailed her the questions she needed to answer on 23 August 2023. Miss S had answered the questions by 26 August 2023.

On 27 August 2023, Shop Direct told Miss S it couldn't offer her a payment arrangement that met her needs and advised her to contact Step Change Debt Charity. Shop Direct said it would place Miss S's account on a 30 day hold, and it would freeze interest and charges.

On 4 September 2023, Miss S offered to resubmit her income and expenditure details, and Shop Direct sent her the questions again. No payment was made in September 2023. Miss S provided her details on 12 October 2023. Shop Direct agreed a repayment plan of £77.89 per month, for 36 months, beginning on 26 October 2023. But no payment was made in October 2023.

On 15 November 2023, Miss S emailed Shop Direct to say it kept calling her and her dad was dealing with her account. Miss S said Mr S had asked for a settlement figure and asked it to stop calling. On 16 November 2023, Mr S explained Miss S's health conditions and offered to repay the outstanding balance for items purchased through Very, without interest or charges.

On 12 December 2023, Shop Direct issued a final response to Miss S. Shop Direct said it

had been trying to contact Miss S since June 2022 because its policy is to contact customers when an account is in arrears. Shop Direct said its contact did not constitute harassment under OFCOM guidelines – it was duty bound to communicate arrears, late payments due and keep Miss S informed about the arrears on her account. Shop Direct added it had placed a payment arrangement of £77.89 for 36 months, which started on 26 October 2023. Shop Direct confirmed it had received authorisation for a third party to deal with her account.

One of our Investigators reviewed Miss S's complaint but didn't uphold it. Miss S didn't agree, so this was referred to me for a decision. Having reviewed what had happened, I was concerned Miss S's account should have been defaulted sooner so contacted Shop Direct. I explained I was minded to recommend it amend the date of default to 31 January 2023, for the reasons I'll explain below, in addition to paying Miss S an additional £200 compensation. Shop Direct accepted my recommendation of a total £200 compensation but said they thought the default should be amended to April 2023. Shop Direct confirmed Miss S's last contractual repayment was made in September 2022, and Miss S first notified them of her financial difficulties in December 2022. Shop Direct then set a repayment arrangement up (but no payments were made). Shop Direct thought the default should be in April 2023 as that was when its payment arrangement was suspended."

My provisional decision was as follows:

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

In line with the guidance set out by the Information Commissioner's Office, I would have expected Shop Direct to record Miss S's account as in default once three to six months of arrears have occurred. From what I have seen, Miss S was well over that by the time her account was defaulted. Shop Direct's debt manager notes show the account was in use until October 2022. By 6 November 2022, the outstanding balance owed was £2,408.69. Since then, one payment of £60 was made on 27 January 2023 and one payment of £20 was paid in August 2023. Shop Direct confirmed the last contractual payment was made in September 2022 – the evidence it provided shows the account was three months in arrears by January 2023.

Shop Direct had been made aware of Miss S's financial difficulties and I think it was reasonable for Shop Direct to agree a repayment plan. But when no payments were made, I think it would have been appropriate to issue a default notice. I accept Shop Direct think the default should be amended to April 2023, but it is the contractual repayments missed that I think is important here. And if I were to accept that April 2022 was the right date, this would be more than six months after Miss S last made a contractual repayment. Having considered everything afresh, I remain of the view that Shop Direct should have defaulted Miss S's account by 31 January 2023. This will mean the default will be removed from Miss S's credit file over a year sooner than it would have otherwise, should Miss S choose to accept my decision.

I accept Miss S thinks Shop Direct should have written off the outstanding balance owed to it minus interest and charges on purchases. But I cannot recommend Shop Direct waive the outstanding balance owed to it, including interest or charges legitimately applied to purchases in line with its agreement with Miss S. It doesn't appear that any interest or charges were applied after 31 January 2023 but, if any were, Shop Direct should arrange for these to be removed from the outstanding balance owed with the new debt owner.

I can only consider Shop Direct's actions until 15 December 2023. If Shop Direct had defaulted the account once three months of arrears had accrued, Miss S would have avoided subsequent contact with Shop Direct for months that understandably caused her

some distress. But equally, Shop Direct should have defaulted the account sooner which would likely have led to Miss S dealing with the debt collection agency sooner. I recognise Miss S may be disappointed, and I cannot award compensation for any distress Mr S may have experienced as her representative. But in the circumstances, I am minded to recommend Shop Direct pay Miss S an additional £200 compensation, bringing the total compensation payable to £350 for any distress or inconvenience caused by its actions prior to its final response of 15 December 2023.

Putting things right

Shop Direct should:

- *Amend the date of default to 31 January 2023.*
- *Arrange for any interest or charges to be removed from 31 January 2023 onwards with the new debt owner.*
- *Pay Miss S total compensation of £350 – if £150 has already been paid, only an additional £200 is payable.”*

Miss S accepted my provisional decision, but reiterated the issues they'd had with Shop Direct. Shop Direct didn't respond by the deadline set out in my provisional decision, so I am obliged to issue a final 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.

As Miss S has accepted my provisional decision, and Shop Direct has not responded, I see no reason to depart from my provisional decision.

Putting things right

For completeness, Shop Direct should:

- Amend the date of default to 31 January 2023.
- Arrange for any interest or charges to be removed from 31 January 2023 onwards with the new debt owner.
- Pay Miss S total compensation of £350 – if £150 has already been paid, only an additional £200 is payable.

My final decision

For the reasons explained above, I uphold this complaint and require Shop Direct Finance Company Limited to do what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 25 March 2025.

Victoria Blackwood
Ombudsman