

## **The complaint**

Mrs S complains about the way Shop Direct Finance Company Limited trading as Littlewoods ('Littlewoods') administered her revolving credit account, which she says resulted in her being charged more than she expected.

Mrs S wants Littlewoods to refund her £434.50.

## **What happened**

Mrs S is a longstanding customer of Littlewoods.

Mrs S has different ways of purchasing items through her Littlewoods account including using the Standard Facility (where purchases are paid for interest free so long as they're repaid over 20 weeks by making 5 consecutive payments every 28 days); using an Extended Plan (which depending on the plan offered can be interest free or interest bearing – where applicable interest is front loaded and spread across the plan term) or purchasing items on a Buy Now Pay Later ('BNPL') basis (so goods can be bought interest free if repaid within the delayed payment period). This meant that there could be different balances on Mrs S's account depending on how purchases had been paid for.

On 28 April 2023 Mrs S ordered an electrical item from Littlewoods for £1,559.99 on a BNPL basis. This meant that if Mrs S paid £1,559.99 by 10 May 2024, Littlewoods wouldn't charge interest on that item.

At the time of purchase there was also a promotion for 20% off the electrical item, which meant a credit of £312 was applied to Mrs S's account.

Mrs S was expecting the £312 credit to be applied to the electrical item's BNPL balance, which would reduce what she had to pay on 10 May 2024. But Littlewoods applied this against the general balance of other purchases on her account, which attracted interest after 20 weeks ('20-week purchases').

On 2 April 2024 Mrs S rang Littlewoods and asked if the credit of £312 could be moved from her general balance and applied to the electrical item's BNPL balance. At the same time, she asked if a separate promotional discount of £122.50 could be moved from her general balance and applied to a separate BNPL balance relating to a dishwasher purchase.

Littlewoods informed Mrs S that if she moved these credits to the requested BNPL balances, it would mean recharging items already paid for back to her general balance.

Littlewoods later confirmed that the promotional discounts of £312 and £122.50 had been credited against the requested BNPL items.

The effect of this was that Mrs S's general balance went up by £434.50, which increased her minimum monthly payments.

Mrs S complained to Littlewoods. She said they'd given her 20% off the BNPL items but then also charged this sum to her general account. Her concern was that she'd not had the benefit of the 20% off promotion and was out of pocket by £434.50.

On 20 June 2024 Littlewoods rejected Mrs S's complaint, saying they'd properly allocated the payments in accordance with her instructions, and there was no error on her account.

Mrs S referred her complaint to the Financial Ombudsman Service, but our investigator didn't uphold it. Mrs S didn't accept this and told us why she thought she'd been overcharged. She also noted Littlewoods' actions had resulted in her paying more towards her minimum payments than she'd expected.

### My provisional findings

I recently issued my provisional findings in relation to this complaint, as follows:

*"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 into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time. I know this will come as a disappointment to Mrs S but I am not minded to uphold her complaint. I'll explain why.*

*I recognise Mrs S's concern that she's been overcharged but having examined the account I don't agree this has happened here.*

*Mrs S had received the benefit of two promotional credits - £312 and £122.50 – which amounted to £434.50. These were initially applied to her general balance and reduced the amount Mrs S had to pay towards her 20-week purchases.*

*When the credits were moved to Mrs S's BNPL balances, they reduced the amount she had to pay towards two BNPL purchases. At this point Mrs S had benefited from the £434.50 discount twice as she'd had this amount deducted from her 20-week purchases, and also from two BNPL items.*

*I can see that to ensure Mrs S only had the discount once, Littlewoods added £434.50 back on to Mrs S's general balance. In practice this meant they had to reverse the payment of several items, up to the value of £434.50.*

*I note that Mrs S says that a call agent at Littlewoods agreed she'd been charged twice for some items. Unfortunately, it hasn't been possible for me to listen to this call with Littlewoods. However, I can see how the adjustment to Mrs S's general balance did make it look like she was being charged twice, because some paid purchases were reversed (or 'recharged') as I've described above.*

*I also acknowledge Mrs S expected her general balance to remain the same when the 20% discount was applied to her BNPL items. I think this would only be the case if the 20% discount was coming straight off her BNPL items and hadn't already been credited to her general balance.*

*Having examined the statements of account and submissions of both parties, I'm satisfied that Mrs S hasn't been overcharged in these circumstances. I'm also satisfied she has received the 20% promotional discount – and this was applied to two BNPL items in accordance with her request.*

*Mrs S is also concerned that the adjustment to her account meant her minimum payments went up by around £50 a month. I think it's fair to say this was an unwelcome surprise for Mrs S rather than something she couldn't afford to pay, given the way she's been able to manage her account subsequently.*

*I've considered whether Littlewoods have met their obligations under Principle 7 of the Financial Conduct Authority's Handbook of rules and guidance ('FCA Handbook'), to communicate with Mrs S in a way which is clear, fair and not misleading. I've also considered Littlewoods's obligations under the Consumer Duty, which the FCA Handbook introduced as a higher standard for business's engagement with their customers.*

*In the context of this complaint this means I'm looking at whether Littlewoods did enough to enable Mrs S's understanding of how her request would affect her account, so she could make an informed decision about moving the credits from one balance to another.*

*Having listened to the telephone call on 2 April 2024 I am minded to say Littlewoods were clear that if Mrs S moved a credit to a BNPL balance, it would mean recharging items already paid for back to her general balance. Mrs S said she understood this during the call, so I think her expectations were fairly managed here. I'm not minded to say Littlewoods needed to do more than this, in these circumstances.*

*I'm also of the view that Mrs S would likely have continued with moving the credit to the BNPL items even if she'd been told her minimum payment would increase due to the adjustment. I say this because in her call with Littlewoods Mrs S mentioned that she'd bought BNPL items on behalf of other people, so I'm minded to say Mrs S was motivated to ensure they received the discount and price they were expecting, and weren't charged interest.*

*I can see from Mrs S's statement of account that after the credit of £312 was applied to her electrical item's BNPL balance she was able to pay what was due by 10 May 2024, which meant interest of £1,687.58 wasn't charged on that item.*

*Mrs S is a longstanding customer of Littlewoods and she's noticed that Littlewoods appear to apply their promotional discounts differently to how they were managed historically. This means she's having to make more calls to get discounts applied to BNPL items and it's harder to keep track of what's owed on purchases she's made for other people.*

*In submissions to our service Littlewoods said that they'd moved away from providing accounts that could be used for business purposes, and their terms and conditions set out that discounts will be applied against the general balance and not against BNPL items. It appears that from time-to-time Littlewoods have agreed to apply promotions to different balances for Mrs S, but I am inclined to say that this is at their discretion and not something Mrs S can expect going forward.*

*Having taken all the above into account, I intend to say Littlewoods have treated Mrs S fairly in these circumstances, and they need not take any action."*

#### Responses to my provisional decision

In my provisional decision, I asked both Littlewoods and Mrs S to respond within a set timeframe if they had any further comments or evidence that they would like me to consider.

Littlewoods didn't respond.

Mrs S expressed her certainty that something had gone wrong with her account. She set out an example to show her understanding of what had happened, saying:

*"...You have 2 pots, Pot A for 20/52 week items and Pot B for pay later items. Pot A = £50. Pot B = £50. So the balance is £100.*

*You then get £10 discount. They took it off the balance leaving it £90, but they haven't changed any of the pots, so the total pots don't add up.*

*They then take it off Pot B, what they should have done in the beginning, taking Pot B to £40. You don't touch the balance as it's still £90 for Pot A and Pot B added together, everything is up to date.*

*If you then add it on to Pot A, then you're making that pot £60, then add both pots together making the balance £110, which is wrong."*

Mrs S also confirmed that she doesn't use her account for business purposes.

### **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 recognise Mrs S's frustrations and want her to know I've considered her example carefully. However, I don't agree that the scenario Mrs S has set out has happened here and I'll explain why, using her 'pots' example.

Littlewoods confirmed in their final response letter that they had changed Pot A when they initially applied the discount to Mrs S's balance, saying *"the cash promotion credit... was originally applied to the items that have been recharged to your account"*.

So Pot A was reduced by the amount of the discount (£434.50), and this was also reflected in her overall balance.

Littlewoods' final response letter itemised the purchases that were recharged to Pot A when they moved the discount over to Pot B, and they also provided me with statements of account to support this.

So, using Mrs S's example, say Pot A and B were both £50, and the balance was £100. Mrs S got a discount of £10. Pot A was then £40 and Pot B was still £50. The balance was £90. To move the £10 discount from Pot A to Pot B Littlewoods added it back on to Pot A (now £50) and then took it off Pot B (now £40). The balance was still £90.

I can understand Mrs S's concerns that something went wrong here given there are multiple balances and promotions running on different items at the same time, which makes her account complex.

However, having undertaken a review of Mrs S's statements of account and investigating her specific concerns, I am of the view that no error has taken place when moving the discount to the BNPL items and I don't consider she's been treated unfairly in the circumstances of this complaint.

I know this will be a disappointment to Mrs S but in these circumstances I'm not persuaded to depart from my provisional findings, and my decision is that I don't uphold this complaint.

**My final decision**

For the reasons I have outlined, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 February 2025.

Clare Burgess-Cade  
**Ombudsman**