

The complaint

Mrs S complains that Frasers Group Financial Services Limited ("FGFS") unfairly defaulted her account.

What happened

Mrs S had an account which allowed her to buy certain items from a retailer using the same (if not a very similar) trading name to the one used by FGFS. FGFS provided the finance to allow Mrs S to make those purchases.

In July 2023 Mrs S made a purchase on a promotional offer. I understand the item was discounted from its original price of £169.99 down to £89.99. There was a problem with the item and it was ultimately returned, and the price reccredited to Mrs S's account in August 2023.

Mrs S then sought to repurchase the same item, but by this point the discount no longer applied. It seems that the retailer agreed that Mrs S could purchase the item at the full price, but it would credit her account with £80 as a result of what had happened.

Mrs S made the purchase but didn't receive the £80 credit. She says that she tried to make enquiries with the retailer but wasn't able to resolve matters. She tried to resolve the situation with FGFS, but it seems FGFS consistently told Mrs S to contact the retailer. Mrs S ultimately raised a complaint about matters with FGFS in April 2024. Unable to resolve the situation, the complaint was referred to this service.

In August 2024 FGFS said that it had established a credit of £80 ought to have been applied but hadn't. It applied the credit and removed all interest and late payment charges. I understand that by this point Mrs S's account had been defaulted due to non-payment. FGFS reiterated at this stage that it believed Mrs S's complaint was about the retailer's activities rather than itself as the finance provider.

Our investigator disagreed. They said FGFS had acted as a finance provider and a supplier of goods, but they nonetheless said that this service doesn't have the power to consider any retail activities undertaken by FGFS. Overall, they concluded that given everything that had happened it would be fair for FGFS to remove any adverse credit information it had recorded in relation to what had happened. They also recommended that FGFS pay Mrs S £150 compensation for the trouble and upset matters had caused her.

Mrs S agreed. FGFS disagreed. It said that whilst it might have previously acted as a finance provider and supplier, it hadn't in this case. It said that the offer of £80 credit was made by the retailer, and Mrs S's displeasure regarding that credit not being carried out was an issue to do with the retailer, and not the finance provider. FGFS initially suggested it would remove the adverse credit information, but it subsequently declined to carry out any of our investigator's recommendations.

The case was passed to me to decide what should happen. I issued a provisional decision on it. Note that my provisional decision refers to FGFS using what we were led to believe

was a trading name (Studio). I've subsequently clarified that below, however.

My provisional decision said;

Studio hasn't provided a copy of the finance agreement it held with Mrs S. Rather, it supplied a link to a copy of the type of agreement Mrs S would've had. Unfortunately, at the time of writing this decision, that link doesn't work. Nonetheless, I think it's clear that both parties in this case accept that Studio has acted as the provider of regulated lending to Mrs S entering into a credit account regulated by the Consumer Credit Act 1974.

Our rules (known as DISP and found in the Financial Conduct Authority's handbook) say that we can consider complaints about a business covered by our jurisdiction as long the complaint is about a regulated activity, or other specified. DISP 2.3.1R specifically sets this out.

The regulated activities our rules refer to are set out in The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ("RAO"). Article 60B(2) of the RAO says that exercising a lender's rights and duties under a regulated credit agreement is a regulated activity.

Studio has attempted to exercise a lender's rights and duties under a regulated credit agreement by asking Mrs S to repay sums lent to her under her credit agreement.

I understand why Studio believes if Mrs S wishes to raise issue with the failure to make an £80 credit to her account it might be more appropriately addressed by the retailer. I say might because I don't think we've seen sufficient evidence to demonstrate whether the failure to make that credit was on the part of the retailer or the finance provider. In any case, Mrs S can complain about whether Studio, acting as the finance provider, fairly handled matters relating to her finance agreement in light of her assertions.

There's some ambiguity here about the extent to which Studio has a relationship with the retailer. It's consistently said that Mrs S needed to repay the lending it provided despite a dispute with the retailer. I've seen evidence from both sides that Studio told Mrs S on a number of occasions that it wasn't able to help and she'd need to raise the issue with the retailer.

However, Studio's internal notes show that Mrs S had raised the failure to credit £80 to her account as early as 3 January 2024. A subsequent note of 11 July 2024 shows what I think is contact with the retailer. Amongst other things it says "...a credit of £80 was applied dated 30/10/23, nothing showing..."

I think it's reasonable to conclude one of two things from this note. Either Studio had the capacity to make contact with the retailer and establish that the credit Mrs S had told it of several months prior ought to have been applied but hadn't. Or the retailer had made the credit of £80 and it hadn't been carried out or completed by the finance provider.

In either case I think it's fair to say that Studio could've done more to help Mrs S here. At the very least I think it ought to have made the enquiry which ultimately resolved the situation at the point Mrs S raised the issue with it. Had it done so, I understand that – owing to it being the only purchase on Mrs S's account at the time – her balance would've been cleared.

It follows that I don't think it's fair for Studio to have recorded any adverse information about Mrs S's failure to make repayments towards the outstanding balance of her account, on the basis that it was made up solely of the outstanding £80 and any associated fees and charges.

Like our investigator, I find that Mrs S was likely caused unnecessary trouble and upset as a result of Studio's handling of matters. Particularly given that it seems to me that her a default was recorded somewhat unnecessarily. Given that, I agree that Studio ought to pay Mrs S £150 compensation by way of an apology for the trouble and upset caused.

I explained that I intended to require FGFS to;

- Rework Mrs S's account as though the £80 credit in question had been applied on 30 October 2023;
- Remove any adverse credit information recorded as a result of issues Mrs S complains about and represent her account as settled from the date it would've been brought to a zero balance; and
- Pay Mrs S £150 compensation for the trouble and upset caused.

Both parties responded. Mrs S initially said that FGFS ought to offer more compensation, but she subsequently said that she accepted my provisional decision.

FGFS made a number of points. In summary, it said;

- It was confused as to why I'd referred to it as "Studio", pointing out that whilst it might be known as "Studio Pay" it simply provides finance in this situation and is separate from the retailer.
- Its agreement with Mrs S said that she needed to maintain payments despite any disputes with the retailer. It believes it acted correctly in telling Mrs S to contact the retailer and the credit reference information it recorded was accurate, given Mrs S's refusal to pay the balance.
- It was not made aware by the retailer that a refund should've been processed. By awarding compensation against FGFS, the wrong business is being punished.

The case has been passed back to me to make 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.

At the time of writing my provisional decision we hadn't been provided with a copy of the agreement in question, so the intricacies of the set up of that agreement weren't clear. In any case, whilst I don't think it was inaccurate to refer to the respondent business as FGFS trading as Studio – by its own account – for clarity, I'll refer to it as FGFS from now. That's also the entity named on the agreement.

I've carefully considered all of the points FGFS has made about why it disagrees with my provisional decision. Having done so, I haven't changed my mind. I'll explain why.

FGFS has now provided a copy of the agreement it had with Mrs S. I've reviewed it and I'm satisfied that it's a regulated agreement and one which this service has the power to consider a complaint about.

I accept that under that agreement FGFS is the finance provider and not the supplier of goods. I also accept that the agreement requires Mrs S to make repayments towards that agreement, even in the event of a dispute with the retailer.

This complaint is about whether FGFS fairly handled an issue Mrs S brought to its attention in relation to her finance agreement. As my provisional decision explained, this service has the power to consider such a complaint.

I think all parties accept that an £80 refund was meant to have been applied to Mrs S's account some time in October 2023, but wasn't. From what it's said I think that FGFS maintains it was not at fault for that. I don't think I've seen sufficient evidence to persuade me that's the case. However, even if that was the case and I accepted FGFS was not at fault, I can still consider whether it did enough to help Mrs S in the circumstances.

I think it's clear from the evidence I mentioned above that FGFS was ultimately able to resolve the matter of the £80 refund with the retailer directly. Evidence shows that it did so in July 2024. And the evidence also shows that Mrs S contacted it a number of times in the months before that explaining that she had been unable to resolve matters with the retailer. It's not clear why FGFS didn't take this action when Mrs S first brought the matter to its attention in January 2024.

In my view, FGFS provided poor service to Mrs S in relation to her finance agreement by declining to help her in a way it ultimately showed that it could have. Had it done so, the subsequent events which played out – the pursuit of repayments and ultimate default – could've been avoided.

Lastly, FGFS has made reference to the wrong business being punished. I've explained why I'm satisfied that FGFS is answerable for the issues Mrs S has raised. But, it's also important to note that it's not within the powers of this service to punish financial businesses. Further, the intent of the compensation I awarded wasn't intended to be punitive. Rather, it's to recognise the avoidable trouble and upset that Mrs S has been caused by FGFS. It's within the powers of this service to make such an award.

Putting things right

To put things right, I require FGFS to;

- Rework Mrs S's account as though the £80 credit in question had been applied on 30 October 2023;
- Remove any adverse credit information (including the default) recorded as a result of issues Mrs S complains about and represent her account as settled from the date it would've been brought to a zero balance; and
- Pay Mrs S £150 compensation for the trouble and upset caused.

My final decision

For the reasons explained above I uphold this complaint and require Frasers Group Financial Services Limited to carry out the above remedy to the extent that it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 21 March 2025.

Stephen Trapp
Ombudsman