

The complaint

Miss H complains that Shop Direct Finance Company Limited recorded information on her credit file incorrectly.

What happened

Miss H held a catalogue shopping account with Shop Direct from 2012 until 2020.

In 2024, Miss H applied for a mortgage. The mortgage lender offered Miss H a three-year fixed rate of 7.34%. During the mortgage application process, Miss H became concerned about the information Shop Direct had recorded adverse information about her account, so she contacted them. Miss H disclosed to Shop Direct that she had suffered economic and domestic abuse during the time she held her account.

On 6 June 2024, Shop Direct issued its final response. Shop Direct said Miss H's account ending 423 had entered into arrears in December 2019, and was sold to a debt collection agency ("L") in August 2020. Shop Direct said arrangements have been for the information recorded by Shop Direct to be deleted. Shop Direct later clarified it should have deleted its data when Miss H's account was sold to L. As Shop Direct didn't delete its data, Miss H's account showed as being in default twice because L also recorded the account as in default.

Miss H later spoke to Shop Direct, on 21 June 2024, and found this call to be particularly distressing. Shop Direct looked into the matter further issued a further final response on 13 August 2024. This time, Shop Direct said it would buy back Ms H's account from L, write off the outstanding balance and update her credit file.

Miss H's complaint was referred to our service. Miss H was unhappy with how Shop Direct had treated her and that it had taken three months for Shop Direct to agree to remove the default. Miss H thought the adverse information Shop Direct recorded on her credit file contributed towards her being offered a higher mortgage rate, but she acknowledged other lenders had reported adverse information on her credit file. Miss H said she could have been offered a better mortgage rate of 5.25% if Shop Direct had removed the default in May or June 2024.

Since the complaint was referred to our service, Shop Direct said L had already written off the outstanding balance of Miss H's account. Shop Direct added it did not think it had recorded any information recorded on Miss H's account incorrectly, but it had deleted its record with the credit reference agencies. Shop Direct accepted it had caused Miss H distress on 12 June 2024 and offered her £100 compensation.

One of our Investigators reviewed Miss H's complaint and thought Shop Direct had taken appropriate steps in removing adverse information from Miss H's credit file. Our Investigator thought Shop Direct's offer of £100 compensation was fair in the circumstances.

Miss H didn't accept our Investigator's opinion, adding she thought Shop Direct had breached its Consumer Duty towards her. So, this has come 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.

Here, Shop Direct agreed to remove any information recorded on Miss H's credit file as a gesture of goodwill. In the circumstances, I think this was a fair and reasonable outcome. But the question here is whether Shop Direct should have removed any adverse information sooner than it did.

The starting position here is that information recorded on Miss H's credit file should be a true and accurate reflection of her account. Shop Direct has acknowledged it should have deleted its data when it sold the account to L. But even if it had deleted its data, the default with L would still have showed on Miss L's credit file until she requested it be removed in May 2024.

Once Shop Direct received Miss H's request in May 2024, it took around seven weeks to decide it was prepared to remove her default. As I have said above, the starting point is that Shop Direct is obliged to ensure Miss H's credit file should be a true and accurate reflection of her credit file, which had defaulted. By being asked to deviate from its obligations, I don't think Shop Direct took an unreasonable amount of time to decide to remove the default recorded on Miss H's credit file. And from the emails I've seen, I've seen no evidence Shop Direct was aware Miss H needed the default removed so she could attempt to obtain a lower interest rate on her mortgage.

In any event, even if Shop Direct had removed the information at the end of May 2024, it can still take one or two months for credit files to be updated. So, even if Shop Direct had removed the default in May or June 2024, it may not have been soon enough for Miss M to resubmit a mortgage application before her property purchase completed.

And in any event, even if I were to conclude Shop Direct should have removed any adverse information sooner, there is insufficient evidence to show Shop Direct was responsible for a higher interest rate. Miss M thinks she could have got a mortgage product with an interest rate of 5.25% but she hasn't provided any evidence to show she would have been eligible for such a product had Shop Direct's default not been recorded on her credit file. Miss H says her mortgage broker told her she could submit another mortgage application if the defaults had been removed, which is why she asked lenders to respond quickly. But this isn't evidence she would have got a lower mortgage rate if Shop Direct had removed the default more quickly. Overall, even if I were to conclude Shop Direct should have acted sooner, it isn't clear this would have made a difference to the mortgage rate Miss H obtained.

Miss H has been clear that she thinks Shop Direct handled her complaint poorly, Miss H has highlighted she found her call on 12 June 2024 to be particularly distressing and set her back on her recovery from the ordeal she'd been through. I've listened to this call, in which Miss H explained Shop Direct had the option to buy the account back so it could delete all account information. It's clear that Shop Direct's agent didn't understand this option. Whilst I understand Miss H found the conversation to be deeply distressing, I don't think Shop Direct's agent was rude, unprofessional or intending to cause distress.

I think Shop Direct's offer of £100 compensation fairly recognises the incorrect information Miss H was given. Whilst I realise my decision will likely disappoint Miss H, I've not recommended further compensation.

My final decision

For the reasons explained above, I uphold this complaint and require Shop Direct Finance Company Limited to put things right by paying Miss H £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 29 May 2025.

Victoria Blackwood
Ombudsman