

The complaint

Mr P has complained about how Shop Direct Finance Company Limited treated him when he experienced financial difficulties.

What happened

My provisional decision of 3 March 2025 set out the background to this complaint:

“Mr P opened a catalogue shopping account with Shop Direct in March 2023 and used it to make a purchase worth £479. Mr P’s first repayment was due on 7 May 2023, but he only made one payment of £10 to the account in August 2023 – no further repayments were made towards the outstanding balance owed.

In August 2023, Shop Direct was notified Mr P was too unwell to communicate with them – it appears Mr P’s mum took over contact with Shop Direct, but I’ll refer only to Mr P for ease of reading. Shop Direct received details of Mr P’s income and expenditure in October 2023. Payment plans were agreed in November 2023 and March 2024 but not adhered to. Shop Direct issued a default notice on 23 May 2024, and his account defaulted in May 2024. Mr P complained to Shop Direct, but it didn’t uphold his complaint. Shop Direct said it had agreed to refund any interest or charges applied to the account if Mr P had repaid the outstanding balance owed. But as no payment was received, this arrangement was suspended. Shop Direct said it had no record of a repayment arrangement in May 2024.

Mr P referred his complaint to our service and asked for the default to be removed from his account and explained he has serious health conditions and was distressed by Shop Direct’s actions. Mr P said Shop Direct had offered a repayment arrangement in May 2024 and offered to suspend interest and charges but Shop Direct told our service it only agreed to do so if Mr P kept to his repayment arrangements. Mr P’s mum informed Shop Direct and our service that Mr P is terminally ill.

One of our Investigators reviewed Mr P’s complaint and didn’t uphold it. I then issued a provisional decision about this complaint that said:

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

I’d first like to say I’m sorry about Mr P’s health and acknowledge the difficult circumstances in which he has made this complaint. But having reviewed Mr P’s complaint carefully, I am not minded to ask Shop Direct to remove the default or refund all of the interest and charges applied to his account. I’ll explain why.

Here, the first contractual repayment was due in May 2023, but this was missed. Shop Direct was not obliged to accept any repayment offer made by Mr P, even with his health concerns, to avoid the account defaulting. The guidance set out by the Information Commissioner’s Office sets out that a default should be applied once three to six months of arrears have accrued.

Three months of arrears had accrued by 8 August 2023, and six months by 8 November 2023. So, whilst Mr P did not want this account to be defaulted, there is no evidence to show he was in a position to bring the account up to date. The evidence provided suggests Mr P was not in the position to pay the arrears. So, whilst I fully understand defaulting the account has caused Mr P distress, I think Shop Direct was obliged to do record the account as in default and it should have taken this action sooner.

Shop Direct say the default should have been applied in January 2023, which was six months after Mr P's last repayment. The August £10 payment did not bring the account up to date, so I don't think this is particularly relevant for calculating when a default should have been applied. Shop Direct had been notified of Mr P's financial difficulties in October 2023 and, from the information available, it appears his income and expenditure details showed he could not afford the payment of over £300 required to bring the account back up to date. I am, therefore, of the view that Shop Direct should have issued a default notice in October 2023, with the account defaulting by 8 November 2023.

So, my provisional decision is that Shop Direct should amend its record on Mr P's credit file to show the account defaulted on 8 November 2023. Shop Direct should arrange for any interest or charges applied after this date to be removed from the outstanding balance owed. I have not asked Shop Direct to refund any interest on Mr P's purchase, as the terms and conditions of Mr P's account entitled Shop Direct to apply interest on purchases. The terms and conditions also allowed Shop Direct to apply charges for late repayments, but I think Shop Direct should have stopped applying upon the account's default on 8 November 2023.

Mr P says Shop Direct should have agreed to repayment plans in May 2024. But as I said above, the level of arrears on the account and Mr P's circumstances mean I think the account should already have been defaulted and Shop Direct was under no obligation to accept a reduced repayment plan.

Mr P's account should have been defaulted sooner, which means he did agree (through his mum) several repayment plans that ultimately failed. From reading the evidence provided by Mr P and his mum, he ultimately wanted to avoid his account being defaulted and I think Shop Direct could have prolonged the process, raising hopes the default could be avoided. To recognise this, I think Shop Direct should pay Mr P £100 compensation. I cannot award any compensation for any distress experienced by Mr P's mum, as only Mr P is eligible to complain here."

I then explained my provisional findings:

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

Having considered matters afresh, I want to address the further concerns raised by Mr P's mum. For ease of reading, I'll refer mostly to Mr P.

Mr P said he made several offers to repay the arrears at a rate that was affordable for him.

The first minimum payment of £33.81 due on 7 May 2023 was not paid, so a £12 charge was applied. I think Shop Direct was entitled to apply that charge in line with the account's terms and conditions.

The second minimum repayment of £79.35 due on 7 June 2023 was not made – and a further £12 was charged alongside £15.87 interest. I have seen nothing to make me think

Shop Direct was not entitled to apply these interest and charges.

The third minimum repayment of £135.65 due on 7 July 2023 was not made. The Information Commissioner's Office sets out that Shop Direct would be expected to record an account as in default after three to six months have occurred. Three months of arrears had occurred by 8 July 2023, and six months of arrears had accrued by 8 October 2023. The minimum repayment due on 7 October 2023 was £251.27, but he had repaid only £10 by this point. In my provisional decision, I said the account should have been defaulted by 8 November 2023. I apologise that I amended this to 8 May 2023 in the "putting things right" section and I am very sorry for this typographical error. So I will take this opportunity to further explain why I think a default should have been applied, but on a different date.

Whilst Mr P later tried to offer repayments at an affordable level, Shop Direct is not obliged to accept reduced repayments. And as these repayments would not have brought the account up to date, and there is no evidence to show Mr P could have repaid the arrears outlined above, I think Shop Direct could have defaulted the account by 8 July 2023, because the repayments due on 7 May, 7 June and 7 July 2023 were all missed,

I accept Mr P wanted to avoid a default, and got in touch to try agree an affordable repayment plan. But I cannot see that he could bring the account up to date by 7 October 2023, when the sixth minimum repayment was missed. So, I am afraid Shop Direct was entitled to apply a default after the sixth missed repayment on 7 October 2023, and so it should have recorded the account as in default on 8 October 2023. I hope this clarifies matters for Mr P.

I understand Mr P is unhappy interest and charges were applied to his account. Only by defaulting an account is Shop Direct obliged to permanently suspend interest and charges. I cannot see that any interest and charges applied to his account before 8 October 2023 were applied incorrectly, or outside of the account's terms and conditions. So, I have not recommended any interest and charges applied before this date be refunded.

I understand the distress a default has caused Mr P, but Shop Direct is obliged to ensure the information recorded on his credit file is a true and accurate reflection of his account.

As I remain of the view that a default should have been recorded sooner than it was, I think Mr P could have avoided further inconvenience in putting forward repayment proposals when the account should have already been defaulted. So, I still think Shop Direct should pay Mr P £100 compensation.

Putting things right

Shop Direct should:

- *Amend the date of default to 8 October 2023.*
- *Arrange for any interest or charges applied after this date to be removed from the outstanding balance owed.*
- *Pay Mr P £100 compensation for any distress caused by the delayed default."*

Again, Shop Direct did not respond to my provisional decision. Mr P remained unhappy I had not recommended the default be removed. Mr P's mum reiterated she received very poor customer service, and reiterated she wanted the default to be removed and the distress this matter has caused her son.

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.

Having done so, my provisional decision remains unchanged. My provisional decision set out Shop Direct's obligation to default the account once six months of arrears had accrued – it was not obliged to, and should not have, delayed defaulting the account without evidence the account could be brought up to date. So, in the circumstances, I remain of the view that Shop Direct should have defaulted Mr P's account by 8 October 2023.

I note Mrs P says she received poor customer service but this is not her complaint, as she is not Shop Direct's customer. So, I cannot consider any impact this matter has had on her, as Mr P's representative. I remain of the view that £100 compensation for Mr P is appropriate for the reasons set out in my provisional decision.

Putting things right

Shop Direct should:

- Amend the date of default to 8 October 2023.
- Arrange for any interest or charges applied after this date to be removed from the outstanding balance owed.
- Pay Mr P £100 compensation for any distress caused by the delayed default.

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 Mr P to accept or reject my decision before 22 April 2025.

Victoria Blackwood
Ombudsman