

The complaint

Mr R complains that he was unable to set up a payment plan with Shop Direct Finance Company Limited ("SD") and that he had administration charges and interest applied to his account.

What happened

Mr R opened an amount and entered into a credit agreement with SD in November 2015.

In March 2024 Mr R contacted the Customer Arrears Support Team (CAST) to advise them that he was experiencing financial difficulties. The outstanding balance on the account at the time was £2177.98. The CAST agent carried out an income and expenditure assessment which showed that Mr R had a deficit budget and didn't have disposable income available for a payment arrangement. The agent asked Mr R to propose a payment amount for a longer-term arrangement that wouldn't prejudice his ability to meet priority expenses. Mr R offered £30 per month but this was rejected by SD as it wasn't sufficient to clear the balance within the required time period. The agent referred Mr R to StepChange for additional support. The agent advised Mr R that the only other available course of action was to apply an "unacceptable offer" status to the account which would freeze account interest (but not Buy Now Pay Later interest) and which could accelerate the default and potential sale of the debt. It was explained to Mr R that arrears would continue to be reported to the credit reference agencies, and he would be restricted from further shopping activity on the account.

Mr R made a payment of £113.95 on 12 April 2024 and a further payment of £1115.00 on 8 June 2024. Following the payment on 8 June 2024, an agent from CAST contacted Mr R to see if his financial situation had changed due to such a large payment being made. Mr R advised the agent that the payment had been made to clear his Buy Now Pay Later balance that was due by 12 June 2024 to avoid interest being applied to the account.

By August 2024 the account had been brought up to date.

On 30 August 2024 Mr R attempted to use the account, but the transaction was rejected. Shortly afterwards on 5 September 2024 Mr R contacted SD to ask why he was unable to use the account. They advised Mr R that his financial circumstances needed to be reassessed before shopping activity on the account could resume.

Mr R contacted SD again on 25 September 2024. He was advised that his reassessment had been rejected and that the account would remain in repayment only until the balance was paid off.

On 22 February 2025 Mr R contacted SD to dispute the interest which had been applied to the account. He explained that he was still experiencing financial difficulties, and he didn't think it was fair that interest and charges had been applied to the account as a result of him not being able to set up a payment arrangement. He complained to SD.

SD didn't uphold the complaint. In its final response it said that standard interest and administration charges had been correctly applied to the account. It said that because no

increased offer of repayment had been made since March 2024, it hadn't been able to look into any payment arrangement or potential hold on interest and administration charges.

Mr R remained unhappy and brought his complaint to this service.

Our investigator upheld the complaint. He said that although SD hadn't done anything wrong when it rejected Mr R's initial payment proposal and restricted spending on the account, it could've done more once Mr R had brought the account back up to date in August 2024 when the account was returned to its normal status and began incurring interest again. The investigator said that the rejection of Mr R's reassessment in September 2024 demonstrated that there were still concerns about Mr R's financial situation, and that SD should've offered to freeze interest and charges from the date when the reassessment was rejected. The investigator said that SD should remove all interest and charges applied to Mr R's account from when the reassessment was rejected to date.

Following receipt of the investigator's opinion, SD made a counter offer to settle the complaint. It offered to remove interest from October 2024 (which was when the account fell back into arrears) and to remove administration charges of £60 applied between October and February 2025 as a gesture of goodwill.

Our investigator thought the offer from SD was fair and reasonable, but Mr R didn't agree. He said he wanted compensation for the emotional stress he'd been caused which had led to him taking time off work and losing earnings.

Because Mr R didn't agree I've been asked to review the complaint.

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 agree with the investigator that SD's offer is fair and reasonable. I'll explain why.

It's not in dispute that when Mr R contacted SD in March 2024, his account was in arrears, and he didn't have sufficient disposable income to put forward an acceptable payment proposal. SD is obliged to make sure that any payment arrangement is affordable and won't place the consumer in further financial difficulty or in a position where they are unable to pay priority bills. In the circumstances, I don't think SD were wrong to reject Mr R's payment proposal and restrict spending on the account. I'm satisfied that by freezing interest on the account, SD showed appropriate forbearance.

It's also not in dispute that the account had been brought back up to date by August 2024, following payments received from Mr R. It was at this point that the account reverted to normal status and interest began to be applied again. Soon afterwards, in September 2024, Mr R had his financial circumstances reassessed because he wanted to start using the account for purchases again. However, the reassessment was rejected.

I agree with the investigator that the reassessment being rejected indicated that Mr R's financial circumstances hadn't improved and that arguably he should still have benefited from forbearance in the same way as previously i.e. balance interest being frozen and no administration charges being applied to the account.

It isn't clear exactly when the reassessment was rejected but by October 2024 the account had fallen into arrears again and I agree that this is a sensible point from which to calculate a refund of interest and administration charges.

SD has also offered to refund administration charges during the period October 2024 to February 2025 (which is when Mr R contacted SD to advise that he was still experiencing financial difficulties and when interest was frozen again). I think this is fair.

Mr R has said that he wants compensation for the stress he's experienced and for his loss of earnings due to the time he's taken off work. I'm sorry to hear that Mr R was unwell during this time. However, I haven't seen any evidence to link Mr R's medical condition directly to the actions that SD took. And in any event, as I've said above, I don't think SD did anything wrong by rejecting Mr R's payment proposal.

Putting things right

To put things right, Shop Direct Finance Company must:

Remove interest from October 2024 to February 2025 (£110.62)

Remove administration charges from October 2024 to February 2025 (£60)

My final decision

My final decision is that I uphold the complaint. Shop Direct Finance Company must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 6 October 2025.

Emma Davy
Ombudsman