

The complaint

Mr U complains Shop Direct Finance Company Limited (SDFCL) gave him wrong advice that led to the closure of his account.

What happened

On 10 October 2020, Mr U entered into a running account credit agreement with SDFCL, allowing him to purchase goods and services on credit from certain retailers. Those retailers include Shop Direct Home Shopping Limited (SDHSL). Both companies are part of the same group and use the “Very” brand.

When Mr U opened the account, he was given a “Welcome Code” for new customers, that he subsequently applied to one of his retail purchases for a discount on his order.

He asked SDHSL around 3 February 2025 for another discount code for a new order he wanted to place, on the basis he was a loyal customer who always paid on time. Alternatively, he said he would close and then open a new account to get the new customer discount code, but he’d prefer not to do that if he didn’t have to.

During further calls in February 2025, including with SDFCL, he wasn’t offered a new discount code. But he also wasn’t warned that if he closed his account, he wouldn’t be able to open a new account for 12 months. As Mr U believed he’d be able to open a new account straight away, he asked to close his existing account, which closed on 25 February 2025. He complained two days later after finding out he’d been given wrong advice.

In its final response dated 17 April 2025, SDFCL agreed it should have warned Mr U about the 12-month time limit to open a new account, and that it failed to respond to Mr U’s request for a manager call-back following a previous call. It said it arranged for a £50 cheque to be sent to Mr U for the distress and inconvenience it caused. But it didn’t reopen his account.

As our investigator thought SDFCL’s poor service had a greater impact on Mr U than the £50 payment reflected, he recommended SDFCL pay Mr U an additional £100 in compensation. SDFCL agreed to the investigator’s recommendations.

Later, in September 2025, SDFCL received approval from its senior management to manually override the 12-month limit so it could open a new account for Mr U, subject to its usual credit checks. So in addition to paying a total of £150 in compensation, it offered to open a new account manually and apply a new-customer discount code. However, it said it couldn’t guarantee Mr U would receive his previous £3,000 credit limit, as it would depend on the outcome of its credit checks.

Mr U wasn’t happy with the offer. He wanted £1,000 in compensation given the distress and inconvenience caused and the potential loss of use of his £3,000 credit limit, which he spent several years building. The complaint has now passed 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.

This includes the relevant laws, regulations, guidance and standards, codes of practice and good industry practice. And where it's unclear what's happened, my conclusions are based on what I think is most likely to have happened given the information available.

I've summarised the complaint in my own words, and I won't be responding to every argument. No discourtesy is intended by this. Our rules allow me to do this given the informal nature of our service. If I've not mentioned something, it isn't because I've ignored it. Rather, I'm satisfied I only need to focus on what I consider key to reach a fair outcome.

Customer service

Overall, I don't find that SDFCL provided Mr U with adequate service in February 2025.

For example, SDFCL didn't arrange for a manager to call Mr U back as promised. He also received incorrect information during a call around 24 February 2025 — where the adviser said he could open a new account sooner if he used a different email address, instead of explaining he had to wait 12 months to open a new account. I've considered this when deciding what compensation is fair in the circumstances.

I also find that SDFCL's failure to warn Mr U about the 12-month waiting period for opening a new account likely caused him to close the account. That's because Mr U has consistently maintained that he wanted to close his account and open a new one to get a discount code for high-value electronic goods he wanted to buy straight away, rather than in 12 months' time. Mr U receiving a discount code a year later doesn't serve that purpose.

Considering Mr U's objective, I think it's unlikely he'd go through the trouble of closing an account, opening a new one, and risking his credit limit reducing — on the basis that he might buy something with a discount code in 12 months' time. It follows that, had SDFCL told Mr U about the 12-month waiting period as it should have, it's unlikely Mr U would have asked SDFCL to close his account.

I don't feel a need to expand on this point further given the parties broadly agree SDFCL's poor service caused the account's closure. What's disputed is the amount of compensation that is fair, given the impact the account closure and service errors had on Mr U.

Impact of poor service on Mr U

It's clear to me that if SDFCL had warned Mr U about the 12-month waiting period, he would have likely kept his account open and retained his £3,000 credit limit. But he wouldn't have received a new discount code, as he wasn't entitled to one. So I think it's unlikely he would have bought the goods he wanted to, even without SDFCL's service errors. However, I accept SDFCL's poor service deprived Mr U of the use of his account for many months.

To put things right, SDFCL agreed to pay a total of £150 for the distress and inconvenience caused. It has also agreed, subject to its usual credit checks, to open a new account and apply the new-customer discount code Mr U originally asked for.

That wouldn't put Mr U in the exact position he was in previously, as there's no guarantee he'll get a £3,000 credit limit. I also recognise SDFCL's offer came around five months after its final response, which is much later than I'd have expected it to. However, SDFCL's offer

goes some way to restoring Mr U to something close to his original position, while giving him the opportunity to benefit from a discount code he otherwise wouldn't have been entitled to.

I appreciate why Mr U might be upset about not getting a £3,000 credit limit with a new account. Any credit limit is subject to SDFCL's credit checks. And as SDFCL is obligated to ensure it lends responsibly, I don't think it should automatically restore the £3,000 credit limit without conducting appropriate checks. But I need to bear in mind that SDFCL should not have put Mr U in this position, where he might end up with a lower credit limit than before.

That said, I need to also consider that Mr U knew he might end up with a reduced credit limit if he opened a new account. In other words, he had been willing to risk a reduced credit limit to receive a discount code for his prospective purchase — a discount code that SDFCL has now offered. I've taken this into account too.

Putting things right

Under the Financial Conduct Authority's DISP rules, I can consider awarding fair compensation, including for any distress and inconvenience SDFCL caused Mr U, under DISP 3.7.2R. Compensation isn't an exact science, but in deciding what's fair I've considered the evidence and arguments the parties submitted, the guidance on our website, and the circumstances here.

After considering everything carefully, I consider SDFCL's offer to open a new account, apply a new discount code, and pay £150 in total for the distress and inconvenience caused is fair and reasonable compensation for the impact SDFCL's service errors had on Mr U.

I appreciate my findings will disappoint Mr U. He feels the adviser's suggestion that he use a different email address to more quickly obtain a new account was highly inappropriate, and for that and other reasons he considers £1,000 in compensation to be a fairer amount.

However, I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and award redress where appropriate. I don't perform the role of the industry regulator, and I don't have the authority to fine or punish financial businesses. Considering my role and what's fair and reasonable in all the circumstances, I find SDFCL's current offer to be fair and reasonable.

My final decision

My final decision is that I uphold this complaint and direct Shop Direct Finance Company Limited to:

- Pay Mr U a total of £150 for the distress and inconvenience caused. It may deduct from this amount any compensation previously paid relating to this complaint.
- If Mr U asks it to, open a new account for him (subject to SDFCL's usual credit checks and a new credit agreement) and arrange for a new-customer discount code to be applied to his first eligible order.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 6 January 2026.

Alex Watts
Ombudsman