

## **The complaint**

Mrs T complains that Shop Direct Finance Company Limited trading as Very ("Shop Direct"), didn't apply the correct repayment option when making a purchase using an account she held with them.

## **What happened**

Mrs T held a running credit account with Shop Direct which since July 2015. As part of Shop Direct's terms and conditions, it explained that an account taken out with them offered different purchase and repayment options.

As part of their standard facility, which required a minimum monthly payment for account balances, they offered an option ("Option 1"), where a customer could split the cost of a purchase made over a three-month period. This offer was available for any purchase and was automatically selected at checkout. All payments over the three-month period needed to be paid by their respective payment due date, to avoid interest being applied to the account. And if one of the payments was missed or paid late over the three-month period, then interest would need to be paid on the balance at the account rate and would essentially fall back to Shop Direct's standard facility.

Another option ("Option 2") was subject to eligibility criteria being met and was confirmed to a customer at checkout if it was an offer available to them at the time. It allowed a customer to defer payment for six to twelve months, depending on how much was spent, and it had the flexibility for a customer to pay as much or as little as they wanted, in one or several payments, during the offer period. If the customer paid in full during the offer period, it would mean the customer could avoid paying any backdated interest.

Mrs T explained that she regularly used Option 2 on purchases she made. However, she noticed that Option 1 was added to a purchase without her consent, when she thought she had selected Option 2. Mrs T said that she was then charged interest on purchases she made when she shouldn't have been.

Mrs T complained to Shop Direct who issued their final response on the matter. In summary, they explained that they thought they had acted within their terms and conditions.

In relation to purchases made using their standard facility, Shop Direct said there were instances where the requirements of Option 1 hadn't been met, and so Mrs T didn't avoid paying interest on them. As Mrs T only made the minimum monthly payments required on occasions, Shop Direct thought she was charged interest as per the terms and conditions. Shop Direct also explained that on three occasions where Option 2 was actively selected and offered, Mrs T didn't make the necessary payments by the due date, and so interest was charged on these purchases, in line with their terms and conditions.

Our investigator initially upheld Mrs T's complaint as she thought that Shop Direct hadn't made it clear to Mrs T that she had taken out Option 1 and that interest would be charged.

Following further information supplied by Shop Direct, our investigator changed her opinion where she explained to Mrs T that she didn't uphold her complaint.

In summary, the investigator explained that Mrs T was behind on several previous purchases she had made. And, as Option 2 was subject to eligibility criteria being met, Shop Direct made the decision to not offer it to Mrs T for future purchases. This meant that some items purchased defaulted to Option 1, which was part of Shop Direct's standard payment facility and meant that Mrs T could avoid interest charges if payments were made in three consecutive payments. As only the minimum monthly payments were made, Mrs T ended up being charged interest on both payments where Option 1 wasn't satisfied, as well as where payments made using Option 2 weren't made in time.

Mrs T disagreed. Among other things, Mrs T didn't think she was behind on any payments made using Option 2. So, our investigator supplied Mrs T a breakdown of the payments and charges, which were produced by Shop Direct.

As Mrs T disagreed with the investigator's findings, the complaint was passed to me to decide.

### **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, I'm not upholding this complaint and I'll explain why below.

I'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Mrs T complains about a running account credit agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mrs T's complaint about Shop Direct.

#### Mrs T complains that she didn't consent to Option 1 being applied to purchases she had made

While I appreciate what Mrs T says here, in the circumstances, I think the terms Mrs T agreed to when she took out the credit agreement with Shop Direct were clear in what payment and repayment options were available to her. Essentially, Option 1 is available on all purchases, and provide an opportunity for customers to avoid interest accruing on purchases made, if three consecutive payments were made by their due date. If the criteria for Option 1 aren't met, it would mean that interest would accrue in the standard way on the account, until the balance was paid off in full.

On the other hand, Option 2 was subject to eligibility criteria being met, and wasn't guaranteed for every purchase made. It also had to be actively selected and was only confirmed at checkout.

So, I think the terms are clear that these are two very distinct repayment options and that it was under Shop Direct's discretion whether both were available to a customer. So, while Mrs

T says that she didn't consent to purchases being made using Option 1, by accepting the terms of the agreement, she did accept and consent to it.

I have also noted that Mrs T says she preferred to use Option 2 to make purchases and had done so on many occasions previously. While again, I appreciate what Mrs T says here, just because she previously made purchases using Option 2, it didn't necessarily mean that it would be an option for all purchases, as the terms and conditions make clear. Option 2 had to be actively selected if it was an option available to Mrs T at the time. As it wasn't offered and wasn't actively selected for some purchases, I think Mrs T ought to have been reasonably aware that she hadn't made purchases using Option 2.

Considering things here, it follows that I don't think Shop Direct incorrectly applied a repayment option that Mrs T neither wanted to use or hadn't selected.

### Interest charged

Now, turning my attention to the interest that had accrued on Mrs T's account.

From my understanding, Shop Direct believe interest was being applied to Mrs T's account from two different angles. Firstly, due to Mrs T only making the minimum monthly repayments on her account, without satisfying the requirements of Option 1. And secondly, due to Mrs T missing the repayment deadlines for purchases she made using Option 2.

So, I have considered whether it was fair for Shop Direct to charge interest to Mrs T in the way they had.

Shop Direct explained that some purchases were made by Mrs T that didn't meet the eligibility criteria for Option 2, and so automatically applied Option 1. However, as only the minimum monthly repayments were made to the account at the time, and the requirements of Option 1 wasn't met to avoid interest, interest was then subsequently charged on these items.

In addition to interest being charged for purchases as outlined above, Shop Direct also has explained that Mrs T hadn't made the necessary payments required by the due date for purchases she had previously made using Option 2. So, interest began to accrue on these purchases as well.

Considering things here, I can't see that Shop Direct has acted outside of their terms and conditions in the way they have applied interest to Mrs T's account.

Mrs T didn't think she had missed the due date for purchases she had made using option 2. My understanding is that our investigator has already given a breakdown to Mrs T of the charges applied and explained what purchase they were in relation to. If Mrs T would like further clarity on those payments, I suggest she contacts Shop Direct directly.

### **My final decision**

For the reasons I've explained, I don't uphold this complaint. So, I don't require Shop Direct Finance Company Limited trading as Very to do anything more here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 30 March 2026.

Ronesh Amin

**Ombudsman**