

## **complaint**

Mrs M complains that Home Retail Group Card Services Limited refuses to suspend interest and charges on her store card debt which means the money she pays in each month under her agreed repayment plan reduces the outstanding balance by only a small amount.

## **background**

The adjudicator recommended the complaint be upheld. He accepted that Home Retail Group had taken some action to assist Mrs M's financial difficulties. However, he did not think this went far enough in the circumstances. He recommended the interest that had been applied since 7 January 2011 is refunded and the interest rate on the account is reduced to 0%. He also recommended a payment of £200 be paid for the distress and inconvenience caused. This was however reduced to £100 when the case was reviewed by a second adjudicator.

Home Retail Group did not accept the adjudicator's conclusions. It said it believes it has done enough to support Mrs M in her current financial position and does not think it should be required to do anything more.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have upheld this complaint.

Finance providers are required to treat customers with financial difficulties positively and sympathetically. With the cooperation of the customer, this may include developing repayment plans or accepting reduced payments, freezing/refunding interest, or even writing off all or part of the debt. But no individual credit provider is *obliged* to do any of these things, even if other institutions have taken such a course of action.

In this particular case, it seems clear that Mrs M is suffering from financial difficulties. Her debts are in excess of £40,000 and she could only afford to repay £382 each month. I understand Mrs M entered into a debt management plan in January 2011 and Home Retail Group was aware of this at that time. Home Retail Group accepted reduced monthly repayments and applied an interest rate reduction – from 29.9% to 9.9%. Had Mrs M's situation improved fairly quickly, enabling her to increase her monthly payments then I would not likely have considered this arrangement to be unreasonable.

However, Mrs M's situation is much the same now as it was in 2011 and looking at the amount still owed and the repayments being made, it is unlikely to improve for a considerable time. As interest is still being applied to her account Mrs M is reducing the outstanding balance by approximately £8 each month. The balance is in the region of £1,500 and will take more than 15 years to repay at this rate.

Had Mrs M stopped making payments to the account it would likely be defaulted, interest and charges suspended and a new repayment plan could be agreed with whichever

company Home Retail Group decided to sell the debt on to. Given the absence of interest and charges after that point, Mrs M would be able to reduce the debt far more quickly.

I appreciate Home Retail Group may think it was being helpful not defaulting the account and this would have happened automatically had Mrs M stopped making payments. However, I note she already has a number of other debts with other institutions which have already defaulted her accounts. So her situation is unlikely to worsen considerably if the Home Retail Group account is defaulted.

On balance, and given the particular circumstances of this complaint, I do not consider Home Retail Group has taken sufficient steps to assist Mrs M in her position of financial hardship. Home Retail Group should have taken steps to default Mrs M's account which would have had a greater impact on her circumstances and hardship.

Had Home Retail Group reviewed the account in July 2011, which is six months after Mrs M entered into the debt management plan, it should have realised that the short term solution it had provided would not suit Mrs M's long term financial difficulties. Home Retail Group should therefore refund any interest that has been applied since July 2011 and ensure no further interest is applied to the account.

If Home Retail Group decides to default the account and pass it to a collection agent then I see no problem with this, providing the required statutory notices are issued to Mrs M.

I agree with the adjudicators that Mrs M has been caused some degree of distress and inconvenience and I feel that a payment of £100 is fair in this instance.

Finally, Mrs M has questioned some payments that appear to have been made late in some months and then duplicated in the following month. As Mrs M's payments are made through a debt management plan I would suggest she contacts the plan administrators to clarify this further.

### **my final decision**

My final decision is that Home Retail Group Card Services Limited should:

- refund all charges and interest applied to the account since July 2011;
- take whatever steps are necessary (including defaulting the account, if appropriate) in order to ensure that no further interest or charges are levied;
- if the account is defaulted as a result of the above, then the default should be recorded on Mrs M's credit files as having taken place in July 2011; and
- pay £100 compensation to Mrs M.

Mark Hollands  
**ombudsman**