

complaint

Mr C complains that Buy Now Pay Later (BNPL) interest has been charged to his account with Shop Direct Finance Company Limited. He disputes the charges because he is in a payment arrangement with a debt management company.

background

Mr C opened an account with Littlewoods in March 2011. Since opening the account Mr C has placed orders using BNPL.

In May 2017 Mr C told Shop Direct that he had instructed Stepchange in relation to his account. In June 2017 Shop Direct agreed a payment arrangement with Mr C as part of his Debt Payment Plan.

Mr C complains that BNPL interest was added to his account after he entered the debt Payment Plan. He's also unhappy that Shop Direct write to him about his arrears, and that he was given incorrect information about his account balance when he contacted Shop Direct prior to entering into the Debt Payment Plan.

The investigator upheld the complaint. He said that Mr C entered the Debt Payment Plan on 13 June 2017 and that all interest and charges should have been frozen from that point. Because of this, the interest charges applied on 24 November 2017 should be waived.

The investigator also found that Shop Direct had provided incorrect information about Mr C's account balance when he was trying to set up his Debt Payment Plan. Shop Direct has already accepted that it provided incorrect information and has paid compensation of £25.00. The investigator recommended that further compensation of £100 should be paid.

The investigator found that Shop Direct had contacted Mr C multiple times about the arrears on his account after the date when he entered into his Debt Payment Plan. He recommended that Shop Direct pay compensation of £100.

Shop Direct said it would pay compensation of £100 to Mr C for contacting him about his arrears when it should not have done. But it felt that £25 was sufficient compensation for providing incorrect information, and it didn't agree with the investigator that the BNPL interest charges should be waived. It said that Mr C had agreed to the BNPL interest at the time when he made the purchases. It also said interest was applied to the account at the point of sale but that it didn't show on the account statements until 12 months later.

my findings

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

I've considered the argument put forward by Shop Direct about the point at which interest is charged. The account statements say that interest will be applied after a certain date is reached – in this case 24 November 2017. I think that most people would interpret this as meaning that interest will be charged to the account on that date – and not before. So if Mr C was looking at his account the day before he entered into his Debt Payment Plan, the BNPL interest relating to his purchase in November 2016 wouldn't show on his account.

Mr C started his Debt Payment Plan on 13 June 2017. Guidance issued by the Accountant in Bankruptcy (who administers the Debt Advisory Service and the Debt Payment Plans set up under Scottish legislation) says that all interest and charges of any type must be frozen from the start date.

I've looked at Mr C's account and I can see that there are two interest charges. One is dated 9 June 2017 (before the start date of the Debt Payment Plan) and the other is dated 24 November 2017 (after the start date of the Debt Payment Plan). Based on the guidance from the Accountant in Bankruptcy, I don't think that the second interest charge can be applied.

Even if I were to accept Shop Direct's point that the interest was due on the account prior to 13 June 2017, I think that Shop Direct is bound by the balance which it accepted immediately prior to the Debt Payment plan. This was a balance which was provided on the DASH portal, which didn't include the BNPL interest due after 24 November 2017. There's no procedure whereby Shop Direct can seek to vary the Debt Payment Plan once it has started according to the Accountant in Bankruptcy.

I think that Shop Direct had several opportunities to provide a figure which included the BNPL interest due after 24 November 2017. Mr C contacted Shop Direct himself to confirm the balance. Stepchange wrote to Shop Direct but it appears that Shop Direct didn't respond. And Shop Direct could have queried the account balance shown on the DASH portal but it didn't.

In relation to the compensation for contacting Mr C about the arrears on his account, Shop Direct has accepted the investigators' recommendation and I have nothing further to add to what the investigator said.

In relation to the compensation for providing incorrect information to Mr C, I think that the incorrect information caused a delay in Mr C being able to start his Debt Payment Plan. This is because Mr C was relying on Shop Direct to provide him with a figure which he could provide to Stepchange. When the incorrect figure was provided by Shop Direct, this resulted in Stepchange including the incorrect information in a letter which it sent to Shop Direct, which then resulted in the account being placed on hold for 90 days whilst the correct balance was established. The delay in being able to start his Debt Payment Plan at a time when Mr C was experiencing financial difficulties would have caused him distress and upset and I think that further compensation of £100 is reasonable in these circumstances.

For the reasons given, Shop Direct Finance Company Limited should pay further compensation of £200 to Mr C and waive any interest which has been applied to his account on or after 13 June 2017.

my final decision

Shop Direct Finance Company Limited should pay further compensation of £200 to Mr C and waive any interest which has been applied to his account on or after 13 June 2017.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 March 2018.

Emma Davy
ombudsman