

complaint

Mrs T complains that Shop Direct Finance Company Limited ("SDFC") defaulted her credit account against her wishes although she was maintaining small regular payments. She is represented in bringing this complaint by her husband, Mr T.

background

Mrs T had a credit account with SDFC for a number of years which she maintained without any problems. Unfortunately, she suffered serious illness in early 2014, from which she hasn't recovered. She is now disabled and unable to work.

In July 2014, SDFC became aware of Mrs T's illness and that she would be unable for the time being to maintain her contractual payments. In September 2014 it agreed a temporary repayment plan of £10 a month. As Mrs T's circumstances didn't change, this arrangement continued.

Towards the end of 2017, SDFC suggested to Mrs T that it should default her account. With Mrs T's circumstances unlikely to change, it said that it would take her 23 years at her present level of payments to clear her account. But if her account was defaulted now, it would be removed from her credit file in six years time. Mrs T didn't want her account to be put into default. But in November 2017 SDFC proceeded to default it.

Mr T complained to SDFC about this on Mrs T's behalf, but it didn't accept the complaint. So he complained to us.

Our investigator didn't recommend that this complaint should be upheld. She said the Information Commissioner's Office (ICO) considered it fair to register a default if the customer was at least three months behind with their payments. And the ICO would normally expect the default to be registered by the time the customer was six months behind with their payments, as that was an indicator that the customer might be unable to make up the arrears.

The investigator didn't think SDFC had done anything wrong by defaulting Mrs T's account, particularly in view of the ICO's guidance. Indeed she thought SDFC should have become aware by October 2015 that Mrs T wasn't going to be able to clear her account within a reasonable timescale, and should have taken action to default her account at that stage.

Mrs T was unhappy with what SDFC had done. She wanted it now to write off her debt, and compensate her for the trouble defaulting the debt had caused her. The investigator said defaulting the debt wasn't the same as writing it off, and SDFC was under no obligation to write the debt off.

She thought SDFC should have defaulted the debt in October 2015. But as no interest or charges had been applied since October 2014, Mrs T hadn't suffered any financial loss because of this, and so there wasn't any reason for her to be compensated. She recommended that SDFC should backdate the default to the date of the review of Mrs T's account that it carried out in October 2015.

SDFC accepted the investigator's recommendation. Furthermore, it said it would now treat the account as settled. In short it would:

- reduce the balance to nil;
- backdate the default to October 2015; and
- update Mrs T's credit file to show the account as partially settled.

The investigator thought this was fair in the circumstances of Mrs T's complaint, and said she couldn't reasonably ask SDFC to do anything further.

Mr T responded to say, in summary:

- Mrs T remained unhappy that she wasn't given the option of continuing the repayments she was making;
- other creditors hadn't taken the same action as SDFC;
- there had never been any review by SDFC to see if the payments could be increased; and
- Mrs T's inability to repay the debt arose from circumstances outside her control. He didn't think SDFC had taken sufficient account of her disability condition.

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 accept that the situation Mrs T finds herself in wasn't of her making, and she would have preferred to continue paying off the debt, however long that took. However I can't say SDFC has acted wrongly or unfairly in deciding, in Mrs T's circumstances, that it should default her debt.

I don't think there was any realistic prospect of Mrs T being able to commit to an increased repayment plan that would repay her debt over a reasonable period. SDFC was entitled to take the action it did, even if Mrs T didn't want it to do so. I don't think the fact of Mrs T's disability condition changes this. By backdating the default to October 2015, it means the history of the debt will be removed from Mrs T's credit file in October 2021.

I conclude that what SDFC has now agreed to do is fair in all the circumstances and don't require it to do anything more.

my final decision

I think what SDFC has now offered to do is fair in all the circumstances of this complaint. So my decision is that SDFC should:

- reduce the balance on Mrs T's account to nil;
- backdate the default to October 2015; and
- update Mrs T's credit file to show the account as partially settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 24 November 2018.

Lennox Towers
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