

## The complaint

Mrs C complained about how Shop Direct Finance Company Limited (SDFCL) responded to a claim to refund a payment made for goods.

## What happened

Mrs C paid for goods from a supplier I'll call V in August 2022. The cash price was around £760. She paid for the goods using her running account credit facility which was provided by SDFCL. She intended to use the Buy Now Pay Later (BNPL) facility, which meant the interest would be deferred for 12 months, or no interest would be payable if the balance was paid off in that time.

Mrs C said the goods were poor quality when they arrived, and although she had tried to assemble the item, she contacted V to explain that she wanted to return it for a full refund.

Mrs C said the transaction was removed from her account and she waited around three months for the item to be collected. In November 2022 Mrs C said the item disappeared from her property while she was on holiday, and she assumed it had been collected.

In around June 2023 SDFCL contacted Mrs C to say the item hadn't been collected and would now be charged back onto her account. Mrs C complained, she said that the collection had been arranged and she wanted a refund.

SDFCL issued their final response in August 2023. It said that as the item was not collected Mrs C still needed to pay. SDFCL said that Mrs C could refer her complaint to our service, but she must do so within six months of the date of the letter.

In August 2024 Mrs C complained again. She said she did not have the item and would not pay towards it. She said that the balance was incorrect, interest was overcharged, and she wouldn't pay for the disputed item.

SDFCL issued another final response in October 2024 which referred Mrs C to their earlier response. In addition, it said that the interest charges, arrears balance and information reported to the credit reference agencies were all accurate.

Mrs C disagreed and referred her complaint to our service. An investigator here considered the complaint and said it was one we didn't have the power to consider as it was brought too late.

Mrs C disagreed so the complaint was passed to me to make a decision. I've now issued a decision which set out which parts of the complaint we could consider.

For the merits part of the complaint my provisional decision said:

*What I need to consider is whether SDFCL – as a provider of financial services – has acted fairly and reasonably in considering a dispute about the administration of Mrs C's running account credit agreement. It's important to note that SDFCL isn't the same entity as V.*

*I can't see any evidence that the interest is incorrectly calculated. The terms of the credit agreement set out how interest can be charged on BNPL terms. It specifically said:*

*"Interest is calculated from date of order, compounded daily during the delayed payment period (so you are charged interest on interest) and will be applied to your account as a lump sum immediately after the delayed payment period ends. This lump sum will attract further interest going forwards, meaning you will be charged interest on interest."*

*SDFCL have shown that the deferred interest was added more than 12 months after the date of the order, in October 2023. Had full payment been made within the deferred period no interest would have been charged. This seems fair and reasonable and in line with the original terms of the order.*

*Contact notes supplied by SDFCL indicate that Mrs C said she did not agree with the balance and was not willing to make payments, rather than she couldn't pay due to her financial situation. I can see that SDFCL noted there was an assessment of her outgoings, and that Mrs C was up to date with her priority bills and other creditors. So it seems that SDFCL responded adequately to her request for help.*

*I can understand that Mrs C might have difficulty making repayments. SDFCL are required to treat her with forbearance and due consideration if she is in financial difficulties. If that's the case then Mrs C can let SDFCL know now, but I won't deal with it as part of this decision.*

*I have limited information about what information has been reported to the credit reference agencies. However statements indicate that notices of sums in arrears and a default notice have been sent. The notices would usually explain the consequences of missing payments and SDFCL are required to send them. The terms of the agreement also set out minimum payments, charges that might apply if payments are missed, and the possible long-term implications for the account and credit rating. It might be fair for SDFCL to report information about missed or late payments, or any arrears position of the account. The reporting must be a true and fair reflection of the payment history. Based on what I've seen I think Mrs C has been informed of the consequences of missing or making insufficient payment.*

*I appreciate that it might seem appropriate to stop making payments when there is a problem with goods supplied. However, that can lead to situations where arrears might develop and adverse information might be reported to the credit reference agencies, and that might be something we can't direct SDFCL to remove. We can make a direction when there has been a clear breach of contract, for example if the goods weren't supplied or they were faulty. But as I've already said we can't consider the subject matter of the complaint about the claim for a refund.*

*In the individual circumstances of this complaint, I think the interest seems to be fairly applied. I can't see that SDFCL didn't respond to requests from Mrs C when required. If Mrs C hasn't made a payment SDFCL aren't unfair in reporting this to the credit reference agencies.*

Neither party responded to my provisional 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.

As I don't consider I've been provided with any further information to change my decision I still consider my findings to be fair and reasonable in the circumstances. I don't find I have the grounds to direct SDFCL to remove interest or amend its reporting to the credit reference agencies.

Therefore, my final decision is the same for the reasons set out in my provisional decision.

**My final decision**

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 1 April 2025.

Caroline Kirby  
**Ombudsman**