

## **The complaint**

Mr R complains that Shop Direct Finance Company Limited (Shop Direct) has treated him unfairly by applying interest to his account, which has led to his credit file being negatively impacted.

## **What happened**

Mr R has had a catalogue shopping account with Shop Direct since 2019. He says he placed orders on the account on a buy now pay later (BNPL) basis and paid the balances in time so he wouldn't occur interest.

Around August 2022 Mr R noticed he had incurred interest on his purchases, he says he noticed this because he thought his account should be zero, but he still had a remaining balance. He complained to Shop Direct about this.

Shop direct didn't uphold Mr R's complaint, it explained although some of his orders were made on the BNPL option, not all orders are eligible for this. And those that weren't were placed on its normal 80-week plan, which is interest bearing. It also explained his monthly statements explained how much he needed to pay and by when, in order to avoid paying interest on his purchases. As he hadn't always paid those amounts in time interest had been applied.

Mr R brought his complaint to this service in April 2023, but our investigator explained we couldn't look into that as Mr R had brought it out of time.

Mr R explained he had raised a new complaint with Shop Direct in early 2023 – this was about interest being added to orders again and that Shop Direct were reporting late or missed payments to his credit file. He also complained that he had raised the complaint with them earlier and they had closed the complaint down before resolving it.

Shop Direct partially upheld Mr R's complaint, it said:

- it had applied the interest to the account correctly
- it had a duty to report accurate information to the credit reference agencies (CRA) and as Mr R had missed payments on occasion or made partial payments and it had reported this correctly.
- it had closed his complaint in error before issuing a final response and it was sorry for that

Mr R remained unhappy and so brought his complaint to this service.

Our investigator didn't think Mr's complaint was one that should be upheld. In summary he said:

- While some of Mr R's orders had been on the BNPL scheme, others hadn't and were

interest bearing. And having reviewed the accounts he could see that the interest had been applied correctly to the account.

- The BNPL scheme is clear about how much and when Mr R needed to pay to avoid paying interest, and he had not always done what was needed, so interest had been applied fairly to those purchases
- Shop Direct had acted fairly when reporting missed or insufficient payments to CRAs

Mr R didn't agree, he said that the website was confusing and it's not always clear how to make sure an order is BNPL or that payments are being allocated to a BNPL order. He also said he felt others were in the same position having looked at forums on social media. He asked for an ombudsman's decision and also asked for whoever looked at the case to use the Shop Direct website to see how confusing it is to use.

The matter has now been 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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me. I must point out to Mr R that I have not used Shop Direct's website in order to reach my decision, as I don't think it was necessary for me to do so in order to reach the right answer here.

Having looked back through the history of Mr R's account I can see he has made multiple purchases using the BNPL option, the first one in November 2019 and through to 2023. I can also see that some of his purchases have been made on the 80-week payment option. In response to earlier complaints Shop Direct has explained to Mr R that the BNPL option isn't available for all purchases as this can depend on the value of the purchase.

Mr R says Shop Direct's website is confusing and so it's not easy to choose the BNPL option. And while he may well find it confusing, given the number of orders he has made this way over the four years he has held the account, I'm satisfied on balance he knows how to do this, when the option is available. Shop Direct has provided evidence of the online journey for each of Mr R's orders and I've seen no evidence to show any orders that weren't on BNPL should have been. As I'm satisfied the orders have gone through the system as they should have done, I've looked to see if interest has been applied fairly to the account. I think it has; I'll explain why.

The terms and conditions of the account explain how the BNPL offer works, and this has also been explained to Mr R in previous complaint responses from Shop Direct. But in the interest of clarity, I will explain here:

When making a purchase using BNPL, a customer is given a defined period in which to pay for an item. If the item is paid for in full before the defined period is up, then they don't have to pay interest on the purchase. When making payments to the account the customer needs to allocate the payment to the BNPL part of the account, this can be done when making the payment online or by calling through to Shop Direct. If the BNPL purchase isn't paid in full at the end of the defined period interest is applied on the remaining balance of the purchase, from the date of the order until it is paid in full.

In Mr R's case, on some occasions he did not make the full payment in the defined period or has not allocated the payment to the BNPL balance of the account as he needed to. This has resulted in interest being added to those orders. I've thought about if Mr R knew he had to allocate the payments and I think he did, because Shop Direct explained this to him in a letter in August 2020, when he incurred unexpected interest on a BNPL order. I can see that he has settled multiple BNPL orders without interest being added. In order to have done this he would have had to allocate payments to them. So not only am I satisfied he knew he had to do it, but I'm also satisfied he knew how to do it.

I've also looked at the statements Mr R was sent monthly, and I can see from these that Shop Direct highlight what payments need to be made on each order and by when, in order to avoid paying interest. They also state what the estimated interest is for the following month. So, I think, Mr R ought to have been aware from these statements, when he was incurring interest and what he could do to avoid incurring it in the future. I appreciate that Mr R feels strongly that interest shouldn't have applied to his account. But I can't fairly say Shop Direct did anything wrong when applying it.

I've looked at the information that Shop Direct has reported to the CRAs. I can see that as Mr R didn't think he should have to pay the interest he stopped paying his monthly payments towards his account. This resulted in Shop Direct reporting late or missed payments to his credit file. Mr R says he was told his account would be placed on hold while Shop Direct considered his complaint, but I've seen no evidence of this from the contact notes provided.

I can see from the live chat notes, Shop Direct was trying to speak to Mr R about his situation with regards to missing payment in March and April 2023, so I think he ought to have realised from this that his account wasn't on hold.

Mr R made a choice not to make payments to his account because of his strength of feeling that the charges were unfair. But that doesn't mean Shop Direct shouldn't have recorded them as missed payments. The same as all other credit providers Shop Direct has a duty to accurately report the management of its customer's accounts. So, when Mr R started to miss payments Shop Direct had a duty to record this on his credit file, and it's likely to continue to do so for as long as he continues to miss payments. So, I can't reasonably say it was unfair of Shop Direct to report the missed payments to Mr R's credit file.

Mr R also complained about Shop Direct closing his complaint and not dealing with it. Shop direct accepted it had made a mistake and apologised for the delay this caused in it issuing its final response letter to Mr R. I think an apology was appropriate in the circumstances.

I know Mr R will be disappointed with this outcome. But my decision ends what we – in trying to resolve his dispute with Shop Direct– can do for him.

### **My final decision**

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 December 2023.

Amber Mortimer  
**Ombudsman**