

Cleaning up

Background

Bernadette* purchased a new vacuum cleaner online from a 'big box' retailer on 'buy now, pay later' terms. She made the first payment of \$149.25 on the day of purchase and the remaining payments in each of the following three months. The vacuum was paid for in full before it was due to be delivered.

The item did not arrive on schedule, so Bernadette contacted the merchant who confirmed with their courier that the parcel had been delivered. The courier claimed to have secured a signature by someone at Bernadette's home when he left the parcel, but Bernadette was adamant that she was not home at the time and that there was no parcel waiting for her when she arrived home that day. She lives alone and noticed that the signature obtained by the courier looked nothing like her own.

The merchant refused to provide a refund, so Bernadette contacted the buy now pay later lender to advise that the goods had not been delivered. The lender credited the payments she had made back to her bank account by way of chargeback and put a freeze on her account to ensure that there was no unauthorised activity.

Bernadette contacted FDRS when the lender refused to remove the freeze on her account until she had repaid the amounts they had charged back to her in full. Bernadette refused to pay for a vacuum cleaner she had not received.

Next steps

FDRS began looking at the complaint and asked the lender for further information. The lender demonstrated that they had gone to considerable efforts to try to explain the situation to the customer but it was clear that she did not understand why they were asking her to repay the instalments.

The FDRS team were also unsuccessful in their efforts to explain the situation to her. As Bernadette and the lender did not agree to come to mediation, the case proceeded to adjudication where we could look at the information provided by both parties and consider this against the law.

Outcome

Upon analysis it was clear that the customer had entered into two separate contracts when she purchased the vacuum cleaner. The first was between herself and the merchant (the purchase contract) and the second between herself and the lender (the finance contract).

The issue which occurred with the delivery (or non-delivery) of the vacuum cleaner related solely to the purchase contract. Bernadette was advised to contact the merchant and the courier about the purchase contract as it was outside the jurisdiction of FDRS. FDRS had jurisdiction to consider the finance contract. We looked at all of the evidence and determined that the lender had met its obligations by paying the merchant in full for the vacuum cleaner and so they were entitled to be paid in full by the customer. Because they had refunded the customer's payments to her by way of chargeback, they were therefore entitled to freeze the customer's account until the full amount was received back from her.

The customer's feedback on the FDRS decision was that she did not understand why she had to repay this sum to the lender when she did not have her vacuum cleaner.

Lessons learned

This complaint highlights the limited levels of financial literacy among some consumers and the efforts that lenders must go to in order to clearly communicate terms of credit to consumers. In this case the lender met these requirements but it is something for lenders and their agents to bear in mind, particularly when borrowers are young and new to credit. For consumers, this complaint shows the importance of reading through all terms and conditions and understanding the role of third-party buy now pay later services as lenders.

** Names and identifying details have been changed to protect our customers' identities*