

The complaint and background

Mrs G is unhappy with how a debt collector, BW Legal Services Limited, treated her when it believed she'd failed to make payments to it on the agreed date.

The details of this complaint are well known to both parties, so I will only summarise them again here.

At this point in the case it's not in dispute that a system error meant BW Legal changed Mrs G's payment date. Because of this it believed she'd fallen behind on her payments when she had maintained her standing order for the agreed date. It then contacted her on a number of occasions to say she was in arrears. Mrs G says she repeatedly emailed and called to discuss her account but was ignored or treated poorly. This caused Mrs G a number of difficulties in her personal life and badly impacted her mental health.

Since the complaint came to our service BW Legal has agreed to arrange with Mrs G's creditor for this debt to be cleared. This would bring an end to Mrs G's relationship with BW Legal.

Mrs G doesn't agree this is fair. She considers she should receive a greater amount of compensation than the value of her debt. And if this isn't awarded, that she should receive the money directly so that she can clear the debt in her own time. So the complaint has been passed to me for a final 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.

I've reviewed the correspondence that's available between Mrs G and BW Legal. And I've considered her evidence in detail, as I understand this situation had a great impact on her.

I'm in agreement that BW Legal's offer prior to the complaint coming to our service wasn't sufficient. It took several months and for the case to come to our service before BW Legal established what had caused Mrs G's account to wrongly appear as if it were in arrears. And during this time its communication with her was below the standard I would expect. I say this because it should've been apparent to BW Legal the distress its correspondence was causing Mrs G. And that she was trying to work with it to clear her debt in the way that had been agreed.

From the correspondence and call notes I've seen, it doesn't appear that BW Legal was fully taking into account Mrs G's situation – or really listening to her when she set out that she had continued to make payments at the same, agreed time.

I've thought about the level of compensation that's appropriate. As both parties are aware, I've been in discussions with them in order to try and mediate a settlement. However one couldn't be agreed, so now I have to decide the issue. And I think BW Legal settling her debt is a fair resolution in this case, I'll explain why below.

In order to determine what compensation is appropriate, I've considered Mrs G's personal situation, what BW Legal was aware of, and also the value of the debt owed. And of course what I consider is a fair resolution to both parties in this case. Compensation doesn't have to be a monetary award to the consumer. And I think in this case, considering Mrs G's debt currently sits at £234.83, having this cleared both provides her with an award for what's happened and prevents her having to go through, or risk going through, further distress.

I understand Mrs G feels that if she doesn't receive direct monetary compensation, this has all been for nothing. However I can't agree.

Throughout her complaint to us Mrs G's talked about the impact BW Legal's administration of her account has had, including a phone call quite recently. And on more than one occasion she's said to us that the sooner she can clear this debt the better her life will be. Due to the amount owed and current token repayments, Mrs G could have nearly 20 further years repaying this debt. This is despite the fact the relationship has clearly broken down and any future conversations between Mrs G and BW Legal are likely to cause her additional distress.

In reaching my decision I have factored in the likely future dealings with BW Legal Mrs G will have and the very severe impact she's explained these conversations had on her mental health. While I accept BW Legal could've handled Mrs G's account better, it does also seem that the level of distress it caused her is beyond what I could consider BW Legal could have reasonably foreseen in the situation, considering the administration error that first occurred.

I've also factored in that Mrs G's current arrangement with BW Legal to pay it £1 a month is based on her income and expenditure. So if she were to receive a lump sum payment, BW Legal, on behalf of its client, could contact her again to discuss what she can afford. Mrs G has told us how upsetting she finds these conversations and the forms that follow. So I don't consider a direct payment is the fairest outcome in this case, or that it would really put things right in this relationship.

Mrs G has also explained that fairly recently she received a reduced settlement offer via BW Legal for her debt. So she asked that the reduced settlement amount be honoured and compensation of only this value be paid towards the debt, still clearing it – with the remaining compensation paid directly to her. But BW Legal is responsible for recovering this debt on behalf of its client, so while this reduced settlement came to her via BW Legal, it was on the instruction of the current debt owner. So this isn't something BW Legal has control over or the power to decide, meaning I can't ask it to do this.

Putting things right

My understanding is that following Mrs G's July 2020 payment, the current outstanding balance of the debt is £234.83.

BW Legal Services Limited should arrange to clear this debt with the current debt owner. This will enable the account to close and BW Legal's role in recovering this debt to end.

My final decision

My decision is that the most recent settlement offered to Mrs G for her complaint against BW Legal Services Limited is fair.

BW Legal Services Limited should arrange for Mrs G's outstanding balance for this debt to be cleared within 28 days of receiving notice of Mrs G's acceptance of this decision.

Mrs G should note that if she accepts my decision, it will be legally binding on all parties and she probably then wouldn't be able to take legal action over this matter for additional compensation. If, however, she rejects the decision, although her legal rights will remain intact, it'll be purely a matter between her and BW Legal Services Limited as to whether the above redress is available.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 12 September 2020.

Amy Osborne
Ombudsman