

The complaint

Mr S has complained that Cabot Credit Management Group Limited is holding him responsible for a debt which he says isn't his.

What happened

In June 2016, an account was opened in Mr S's name with a credit card provider, 'A'.

By August 2017, there was a debt of £1,692.86 on the account. 'A' defaulted the account and assigned the debt to Cabot in September 2017. The default was registered on Mr S's credit file.

Mr S said he only became aware of the debt in 2019, after his business had been turned down for credit. He said he checked his credit file and that's when he saw the default.

He contacted Cabot and told it that the account wasn't his and he knew nothing about it. He said he believed his wife had applied for the credit card as it was her address on the application. He said he wasn't in the country when the application was made and, as he didn't live at the address, he hadn't seen any statements or correspondence from Cabot. However, as he needed the default removed, he agreed to settle the debt and he paid it off in August 2019. Cabot closed the account with a zero balance. However, the information relating to the debt remained on his credit file.

Mr S complained to Cabot. He said he still couldn't get any credit because the debt was showing on his credit file. He asked it to remove all adverse information relating to the debt from his credit file and to refund the money that he'd paid. He also instructed lawyers to take legal proceedings against Cabot.

Cabot replied that it hadn't done anything wrong. It said it had no reason to doubt the debt was his when 'A' assigned it to Cabot. It said his details were on the application form. Also, it had acted correctly by sending him notices that it was the legal owner. And it said that once an account has defaulted, it will remain on the credit file for six years from the date of default. However, his file has been updated to show that he'd paid off the debt. It said he needed to contact 'A' if the application was made fraudulently.

Mr S didn't think this was fair, so he brought his complaint to this service.

An investigator looked into his complaint and recommended that it be upheld. She had contacted 'A' who carried out its own investigation. 'A' confirmed that Mr S had been the victim of impersonation fraud and was taking steps to remove the account from his credit file.

She recommended that Cabot repay the £1,692.86 with interest and £150 compensation for the trouble and upset caused to Mr S.

Cabot didn't accept our investigator's view. It said Mr S knowingly made a payment to settle the debt and, if it had known of the fraud, it wouldn't have accepted the payment. It maintained it acted correctly and had done nothing wrong. It saw no reason to refund him.

This case now comes to me for an ombudsman's 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.

Having reviewed the evidence, I've decided to uphold Mr S's complaint.

'A' carried out an investigation into Mr S's complaint. It determined that the application had been made fraudulently and that Mr S was the victim of impersonation fraud. Cabot, in its response to our investigator's view, confirmed it wasn't challenging this aspect. I can reasonably conclude, therefore, that Mr S didn't apply for the credit card account and the debt wasn't his.

I recognise that Mr S paid off the debt before 'A' had completed its investigation but, of itself, I don't consider this means he accepted legal responsibility for it. He always made it clear that his objective was to clear his credit file. But, in any event, as Mr S was the victim of impersonation fraud – and Cabot doesn't dispute this - then I don't think it's fair and reasonable for Cabot to refuse a refund.

I will now be instructing Cabot to put things right. As Cabot could've settled this dispute earlier, I will be asking it to pay the compensation for trouble and upset as recommended by our investigator. Mr S said his credit file is still affected so I will also be asking Cabot to amend his credit files.

My final decision

My final decision is that I'm upholding this complaint and I'm instructing Cabot Credit Management Group Limited to:

- repay the £1,692.86 to Mr S
- pay 8% interest from date Mr S made the payment until settlement
- pay £150 compensation for the trouble and upset caused to Mr S
- remove all adverse information relating to the debt from Mr S's credit files.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 January 2021.

Razia Karim
Ombudsman