

The complaint

Mr B complains about the way PRAC Financial Limited has pursued a debt in his name. He would like PRAC to write the debt off and amend his credit file.

What happened

In 2016, PRAC bought a debt in Mr B's name and appointed a law firm to deal with collection. For ease I will continue to refer to PRAC although I appreciate that some of the actions were taken by the law firm on behalf of PRAC.

PRAC mistakenly told Mr B that his account had been closed when he tried to settle the debt. Mr B made further offers to settle which weren't accepted. And Mr B didn't accept any of the offers that PRAC made to him.

Mr B wanted PRAC to write the debt off as the original lender paid him compensation for irresponsible and unaffordable lending.

Mr B was also unhappy that PRAC hadn't defaulted his account when it took it over. Mr B says that arrears get added each month which has had a negative impact on his credit file.

The investigator issued two recommendations. In the first, he asked PRAC to pay £100 compensation and apply a backdated default. After considering PRAC's response, the investigator thought that compensation was no longer needed, but he still wanted a default to be backdated.

PRAC says that a default would be worse for Mr B than the current situation. It says Mr B's account will be removed from his credit file by April 2022 even if he makes a payment in the meantime.

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 hope that Mr B won't mind if I don't go into every detail of his complaint. It's not that I haven't taken account of everything that's been said – I just want to focus on what is left to resolve. I agree with the investigator that PRAC shouldn't be required to write the debt off and that although mistakes were made, compensation isn't appropriate in the circumstances. So, I just need to consider whether it's appropriate to require PRAC to default Mr B's account.

The Information Commissioner's Office guidance says that a default will generally be recorded when an account is three or more months in arrears. Mr B's account was opened in April 2016 and no payments were ever made. By the time PRAC bought the account in late 2016, Mr B was several months in arrears. In the absence of any payments by Mr B, I'd reasonably have expected his account to be in default.

I take PRAC's point that it has a duty to treat its customers fairly and that there's no

obligation on it to report a file as being in default from the date it buys a debt. But in Mr B's case, a repayment plan failed, and no agreement was reached on a reduced settlement. I don't consider that it was in Mr B's best interest to delay defaulting the account. Particularly as PRAC says Mr B told it he didn't intend making any payments towards the debt.

Mr B's account was already significantly in arrears when PRAC took it over. I agree with the investigator that the fairest way to resolve things for Mr B is to require PRAC to issue a default notice. If Mr B doesn't respond or payment terms aren't agreed, PRAC should backdate the default to the date on which it bought the account. I consider this to be an accurate reflection of the way Mr B has managed his account.

PRAC points out that as things currently stand, all information about Mr B's account will be removed six years after the date that he opened it - even if he makes a payment towards the balance. Although this may be the case, Mr B says he would rather PRAC record the default.

Putting things right

PRAC Financial Limited should issue a default notice and if the debt isn't settled, it should backdate the default to the date on which it bought the account.

My final decision

My decision is that I uphold Mr B's complaint and direct PRAC Financial Limited to take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 May 2021.

Gemma Bowen
Ombudsman