

The complaint

Miss P has complained that Debt Managers (Services) Limited continued to chase her for a fraudulent debt, even when they agreed it wasn't hers.

What happened

This complaint is about a consumer credit account that was taken out in 2015 and sold to Debt Managers in 2017.

In late 2017, Miss P was turned down for a mortgage. She found out that a number of accounts had been taken out fraudulently in her name, such as this one.

In early 2018, Miss P reported this account as fraudulent to Debt Managers. She provided documentary evidence of her address history, showing she hadn't been present at the address the account was registered to or the address the goods went to.

Debt Managers looked at this and said they also thought the account was fraudulent. They suggested Miss P report things to Action Fraud. When Miss P didn't, they refused to help further. They continued to pursue Miss P for the account. This went on for several years, with Debt Managers contesting data disputes raised by the credit reference agencies in order to keep the account showing in Miss P's name.

In October 2021, Miss P provided an Action Fraud reference, and in November 2021 Debt Managers took the account out of her name.

Miss P complained. She detailed all the stress Debt Managers had put her through, such as threatening to come to her home when she was a woman living alone.

Our investigator looked into things independently and upheld the complaint. They recommended Debt Managers pay Miss P £350 compensation and make sure her credit file was cleared of this debt.

Debt Managers didn't agree. They said they had no reason to think that Miss P might not be the genuine borrower. They argued that they followed their process, and that Miss P was at fault for not giving them an Action Fraud reference earlier.

The complaint's 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.

Under CONC, Debt Managers were not allowed to pursue Miss P if they reasonably knew or believed she might not be the genuine borrower. And they were not allowed to ignore her dispute or to continue to make demands for payment without clear evidence or justification as to why her claim was not valid.

In early 2018, Debt Managers received documentary evidence that Miss P had not lived at the address the account was registered to or the address the goods were received at. The other contact details on the account were also not genuine and did not relate to Miss P. A number of other fraudulent accounts had been taken out in her name. And Debt Managers do not appear to have had any substantial basis on which to think this *was* Miss P's account. Indeed, in 2018 Debt Managers admitted themselves that "*we believe that this account is not linked to [Miss P]*".

It follows that Debt Managers were wrong to continue pursuing Miss P from early 2018 onwards, and they were wrong to ignore her dispute.

Debt Managers have pointed out that Miss P could have resolved things earlier by reporting things to Action Fraud. I do accept that she could have mitigated her losses by making a report, and I have taken this into account. However, there was no obligation on Miss P to contact Action Fraud. And Debt Managers were not entitled to pressure her into doing so. Whereas there was an obligation on Debt Managers to investigate the fraud and to refrain from pursuing someone they thought might not be the real borrower.

Debt Managers already had good reason to believe this account was fraudulent, and admitted as much themselves. So I don't see that an Action Fraud reference number served any particularly useful purpose in investigating the fraud. The number had no substantial bearing on Debt Managers' ability to find out if the debt was Miss P's or not, and it wasn't needed as proof here – again, Debt Managers already admitted they believed this wasn't Miss P's account in 2018. It seems that Debt Managers were just following the process for the process' sake. And it was wrong of them to prioritise their process over treating a customer fairly. A lack of a reference number was not something Debt Managers could rely on to refuse to help Miss P, or to chase her for a debt they didn't actually think was hers.

Debt Managers have made arguments about crime reporting procedures, but I don't find those arguments to be relevant. Reporting the crime is separate to investigating whether they are chasing the right person for the debt or not. They did not have any right to pursue someone they reasonably believed to be the victim of fraud just because they didn't have a reference number.

It is seriously concerning that Debt Managers sent Miss P threats, continued reporting a default against her, and went as far as opposing attempts by credit reference agencies to correct her file, all over a period of *years*, when all the while they'd had solid evidence since 2018 that it wasn't Miss P's account, and even believed themselves that she was the victim of fraud. This was a severe series of failures on Debt Managers' part. Debt Managers need to put right what they got wrong.

In terms of compensation, I can certainly understand why Miss P would like her rejected mortgage application to be taken into account. But I'm afraid I don't think Debt Managers were responsible for that. Debt Managers didn't do the original lending – that was done by the lender. And, of course, it was the fraudster who was primarily responsible for the crime taking place. Further, I understand there were a number of fraudulent accounts, not just this one. And the mortgage application in question was done before Debt Managers were first told about the fraud.

I do find that Debt Managers were responsible for the considerable distress, upset, and worry that Miss P was put through by them refusing to deal with the fraud. This went on over an unacceptably long period. And while I accept that Miss P could have also reported things to Action Fraud earlier, she was not required to – the delay primarily stemmed from Debt Managers getting things very wrong.

We have guidelines about what levels of compensation to award. Like our investigator, I find that £350 compensation would be fair to put things right.

Putting things right

I direct Debt Managers (Services) Limited to:

- Pay Miss P £350 compensation; and-
- Make sure that no trace of this fraudulent account remains on Miss P's credit file, working with the original lender where necessary.

My final decision

For the reasons I've explained, I uphold Miss P's complaint, and direct Debt Managers (Services) Limited to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 28 June 2022.

Adam Charles
Ombudsman