

The complaint

Mrs C is unhappy with the way that NCO Europe Limited (NCOE) dealt with the management of her debt. She says this led to a default being unfairly registered against her credit file.

What happened

Mrs C's outstanding debt relates to a credit card, which is now owned by Company A. And NCOE have managed the debt on Company A's behalf.

Due to a change in circumstances Mrs C cancelled her direct debit for the debt and this led to the payments for June 2021 and July 2021 not being paid when due.

On 25 July 2021 Company A wrote to Mrs C setting out that if Mrs C did not pay the balance due by October 2021 then they would take steps to recover the balance which could include instructing a debt collection agency and reporting a default to the credit reference agencies. The letter asked Mrs C to contact NCOE to discuss the account and see if any help might be provided.

On 30 July 2021 Mrs C called NCOE to discuss her debt. She explained the reason for cancelling her direct debit was due to a change in her personal circumstances which had meant needing to reduce her hours at work. Mrs C said she could continue to make payments towards the outstanding debt, but not at the level she had been paying up until then.

During the call Mrs C agreed with NCOE to pay £57 per month (rather than £117 per month) as this was something she could manage. Mrs C also enquired at this time whether there was a discounted offer to settle the amount sooner as it was possible she would be able to get some financial help from another family member. NCOE said a discount of 10% would reduce the balance to around £661. In the call there was no mention of potentially defaulting the debt.

On 2 October 2021 Company A wrote to Mrs C and confirmed that a default had been registered with the Credit Reference Agencies due to the outstanding balance not being paid in full.

Mrs C says the default caused her a great deal of stress given she had engaged with NCOE and entered into a new arrangement to repay her debt. Mrs C therefore raised a complaint with NCOE who did not uphold it, and so Mrs C brought her concerns to our service.

Our investigator reviewed what had happened and listened to the calls between Mrs C and NCOE that took place on 30 July 2021 and in November 2021. The investigator recognised it was not for NCOE to register or remove a default – that was for the legal owner of the debt to do – but the investigator put forward that in the circumstances it would appear NCOE's actions had contributed to the default being registered. The investigator said it didn't appear proper consideration had been given to Mrs C's circumstances or that Company A had been

properly appraised of them either. Our investigator therefore asked NCOE to reconsider their position and approach the legal owners of the debt.

NCOE agreed with the investigator and engaged with Company A to enquire about removing the default. NCOE later confirmed to the investigator that Company A had agreed to remove the default. NCOE also offered Mrs C £100 in recognition that things could have been better handled.

While Mrs C was pleased that the default would be removed, she did not think the £100 adequately reflected how much the matter had affected her.

As an agreement couldn't be reached at this point, our investigator further reviewed the file and concluded a fairer amount of compensation to recognise the distress and inconvenience the matter had caused Mrs C would be £350. Mrs C accepted this, but NCOE said this was too much and said no new evidence had been submitted to suggest such a significant change to the level of compensation. NCOE increased their offer to £250, but Mrs C did not accept this, so the complaint has come 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.

I'm pleased to see the matter of the default has been resolved, so this does not form part of my considerations. What is left for me to consider is the level of compensation payable to Mrs C to acknowledge the impact these events have had on her.

Deciding on a level of compensation in such cases is not an easy matter, as an event that may have little effect upon one person may have an entirely different impact on someone else given their respective circumstances.

Like the investigator, I have also listened to the call recordings between Mrs C and NCOE.

During the call on 30 July 2021 Mrs C explained to NCOE that the reason she cancelled her direct debit and asked to reduce her payments was due to dropping her working hours in order to help care for a close family member - who I am sorry to learn has since then sadly passed away. This cannot have been an easy time for Mrs C, and from the phone calls it is clear that Mrs C was at times particularly distressed.

Mrs C also explained on more than one occasion that the security of her job was largely linked to her maintaining a clear credit record. Mrs C explained her employer regularly ran credit checks on employees and therefore having a default on her credit file could lead to her losing her job, which in turn would mean being unable to make any payments towards the outstanding debt not to mention her ability to maintain mortgage payments and other financial commitments. I have no doubt that this additional worry about her job -because of the default - came at an already difficult personal time, so it would have caused Mrs C a great deal of added stress and upset.

The impact Mrs C described was therefore not insignificant to her and it's clear from the calls that Mrs C did not hide this from NCOE during her conversations with them as she was particularly worried about losing her job and the consequences of this. In one call Mrs C explained how after a particular conversation with NCOE she had become so distressed this led to her having a panic attack following the call. And on more than one occasion Mrs C told NCOE she could see why people might commit suicide over something like this.

I think it's fair to say that what happened brought about a lot of stress and upset for Mrs C.

I've considered what NCOE have said about the increase in the compensation award and I understand NCO feels an award of £350 is too much. But taking everything into account, I think the award of £350 put forward by our investigator is fair in the circumstances of this complaint.

Putting things right

NCO Europe Limited must pay Mrs C £350.

My final decision

For the reasons above, my final decision is that I uphold this complaint and NCO Europe Limited must pay Mrs C £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 18 July 2022.

Kristina Mathews
Ombudsman