

The complaint

Mr W has complained about Cabot Credit Management Group Limited purchasing a debt that was included in a bankruptcy order, and reporting it on his credit file.

What happened

This complaint surrounds a consumer credit debt that was defaulted on 3 April 2018, the same day that Mr W entered into a bankruptcy order. The account was then sold to Cabot in December 2018.

Cabot sent Mr W a notice of assignment to let him know they now owned the account, and to ask him for details of his insolvency so that they could administer things correctly. Mr W then gave them those details, and Cabot updated things on their end. Then after Cabot were told Mr W had been discharged, they marked his default as partially satisfied.

Mr W has complained about Cabot purchasing the account, about them contacting him, and about them reporting the default on his credit file. He would like the default to be removed, and £5,000 compensation.

Our investigator looked into things independently and explained that Cabot were allowed to buy the account, and that it was reasonable to contact Mr W to update him and get the details for his insolvency. They explained that Cabot were required to continue reporting things on Mr W's credit file, and that the entry was correct other than the default date – which should be 3 April 2018 rather than the 30 April 2018 they were reporting.

Cabot agreed to amend the default date. Mr W asked for an ombudsman to review things afresh, so 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.

Just for clarity: in this complaint I can only consider what Cabot did. I can't consider the original lender's actions in this decision, such as when the original lender defaulted the account or sold it to Cabot. I understand that Mr W has made a separate complaint against the original lender.

Turning to Cabot: it's normal for businesses to buy debts. And there was nothing which prevented Cabot from buying this one, even though Mr W was under a bankruptcy order.

Cabot have provided the relevant notice of assignment, where the original lender confirmed they'd sold the account to Cabot. This shows that Cabot now own the account. I understand Mr W's point of view when he says his contract was initially with the original lender, rather than Cabot. But as above, debts can and do get sold on, and this was a legitimate sale. That means that Cabot do indeed now own the account, and not the original lender anymore.

Now that Cabot own the account, they're entitled to contact Mr W about it where relevant. And it was most relevant for them to let him know that they were the new owners. They also needed to get the details for his insolvency. So I think it was reasonable that they contacted him. I have not found anything excessive or unreasonable in Cabot's correspondence.

Similarly, now that Cabot own the account, they're responsible for reporting it on Mr W's credit file. The default that they're reporting is not a new or additional default – it is a continuation of the same default that the original lender registered.

I do understand that Mr W would much prefer for the account to be removed from his credit file entirely. But that's not something Cabot have to do. Even though Mr W successfully went through a bankruptcy and was discharged, his debts did not cease to exist. It's just that his creditors can't take action to recover those debts anymore.

Mr W's credit file is supposed to be an accurate reflection of what actually happened with his accounts. Since this account did not disappear, it's correct that Cabot have not removed it from Mr W's credit file. Since Mr W went insolvent and the original lender defaulted the account, it is correct that Cabot have continued to report that default. And since Mr W was discharged from his bankruptcy, it's correct that Cabot marked the default as partially satisfied – which reflects that the debt is no longer outstanding, and that it was not paid off in full but written off instead. That's a standard way to report accounts that were included in an insolvency.

The only thing I can see that Cabot got wrong is that they reported the default date as 30 April 2018 instead of 3 April 2018. And this won't have had any significant material effect on Mr W, not least since the default wasn't due to fall off his file until 2024 anyway. I can see that, following our investigator's assessment, Cabot agreed to amend the default date – this should be showing on Mr W's credit file now. I don't think they need to do anything more.

My final decision

For the reasons set out, I direct Cabot Credit Management Group Limited to correct Mr W's default date to 3 April 2018, if they've not done so already. I do not make any other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 October 2022.

Adam Charles
Ombudsman