

The complaint

Mrs G has complained that Arrow Global Limited waited too long to default her account.

What happened

This complaint surrounds a consumer credit account that was sold to Arrow in August 2015. At the point Arrow bought it, it was in substantial arrears and had been in a long-term debt management plan with reduced payments since February 2015.

In mid-2017, Mrs G missed four further payments. In mid-2018, she missed one more payment and Arrow defaulted the account.

Mrs G has complained that she should have been defaulted back in 2015, meaning the default would have fallen off her credit file by now. She feels she's been effectively penalised for engaging with the debt and trying to make token payments.

Our investigator looked into things independently and upheld the complaint. Arrow didn't agree, so the complaint's been passed to me to decide.

I sent Mrs G and Arrow a provisional decision on 15 August 2022, to explain why I thought the complaint should be mostly upheld. In that decision, I said:

By the time Arrow bought this account, it was quite clearly in a place to be defaulted. Looking at the account's terms and payment history, it would have been more than six months in arrears, it was in a long-term debt management plan and so was very unlikely to return to the original terms any time soon, and given the original creditor's decision to sell it on it seems they also thought Mrs G was unlikely to get back on track any time soon.

As our investigator explained, when Arrow bought the debt they became responsible for making sure it was being reported correctly. And it would have been reasonable for them to review things and default the account.

With that said, I also take Arrow's point that they were just trying to keep the payment arrangement going, and trying to give Mrs G a chance to avoid defaulting at all. Though in the end, it's worked out that Mrs G has been left in a worse position by constructively dealing with the debt than if she'd just stopped paying back in 2015 – so I also completely understand why she feels this has been unfair for her.

Ultimately, while this debt should probably have been defaulted in 2015, that was primarily the original creditor's responsibility rather than Arrow's – per the above, it was ready for a default before the sale to Arrow. So while Arrow could have – and arguably should have – reviewed things upon buying the debt and placed a default, I think that's really a complaint better directed against the original creditor.

However, even if I don't hold Arrow responsible for not defaulting this in 2015, I still find that they defaulted Mrs G too late.

Under ICO guidelines, a default would've been due as soon as Mrs G missed any payments under her reduced payment arrangement. And in 2017, Mrs G missed four in succession. Indeed, four missed payments would be grounds for a default under normal circumstances, let alone under a reduced payment arrangement, and let alone when the customer was already in well over six months' worth of arrears under the original contract.

So I don't think it was fair for Arrow to wait until 2018 to default this account. It follows that I plan to direct Arrow to backdate this default.

And if I'm telling Arrow to backdate this default anyway, and I've also found that it should have been defaulted back in 2015 (albeit by the original creditor), then on pragmatic grounds it's better for Arrow to simply backdate this default to August 2015 – which is also when they should have reviewed the account themselves, and could have fairly defaulted it. This will mean that the default will now fall off Mrs G's credit file.

The alternative would be for me to tell Arrow to backdate the default to 2017 here, then for Mrs G to make a separate complaint to the original creditor, then for us to tell the original creditor to then backdate it again to 2015, then for Arrow to adjust their records again to match that. But that doesn't seem like a good use of anyone's time. I think it's better to do things this way.

Of course, since I think the original creditor were primarily responsible for the default not being registered in 2015, more so than Arrow, I'm not planning to tell Arrow to pay Mrs G compensation here. If Mrs G would like us to consider compensation for her account not being defaulted in 2015, she'll need to raise that complaint with the original creditor and then bring it to our service if she's unhappy with their response. She can also ask our investigator to help her get a case against the original creditor set up if she would like one.

I said I'd consider anything else anyone wanted to give me – so long as I received it by 29 August 2022. Mrs G said she was happy with the provisional decision. Arrow acknowledged receipt of the decision, but we didn't receive any further evidence or arguments from them before the deadline.

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.

Neither side have sent me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct Arrow Global Limited to backdate Mrs G's default to August 2015. This will mean that the default will now fall off Mrs G's credit file.

My final decision

I uphold Mrs G's complaint in part, and direct Arrow Global Limited to backdate her default to August 2015.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 September 2022.

Adam Charles
Ombudsman