DRN-3705576

The complaint

Mr C complains Arrow Global Limited have unfairly recorded a default on his credit file.

What happened

Mr C had a credit card account with a lender. I understand the account was opened on 22 November 2012, with it being assigned to Arrow on 5 July 2019. At the time of the assignment, the outstanding balance was £1,759.26. Arrow asked one of their agents, who I'll refer to as N, to manage Mr C's account on their behalf.

Mr C is someone who would be classed as vulnerable. He says he told Arrow this when he first contacted them, as well as N, so everyone was aware. To help him, an arrangement was made with N for payments to be made monthly over the phone.

Mr C complained to N about these calls not happening. In September 2020 N said, in summary, these calls hadn't happened which had led to arrears building on his account. They said sorry for this and provided some compensation.

In August 2021 Mr C complained to N again, saying the calls still weren't happening, but now he'd had a letter dated 23 August saying his agreement had been terminated. When he found out about the default, he also raised concerns regarding this.

N said a Notice of Termination letter was sent on 15 June 2021, which said Mr C had to settle the balance on or before 23 August 2021. But, the balance wasn't settled, so they then issued a Termination letter on 23 August 2021. They said there had been multiple attempts to contact him on the phone, they'd also written to him, so overall didn't think they'd done anything wrong.

At this point, I think it's helpful to explain that although N were managing Mr C's account, Arrow as the owners of the account are responsible for applying the default.

Following this, Mr C made an offer to settle the account, with Arrow accepted. Mr C then complained to Arrow about the default not being removed from his account, as he didn't think this was fair given how N had managed things.

Arrow explained when they were assigned Mr C's account, it hadn't been defaulted. They said they made a business decision to not report this account to the credit reference agencies (CRA's). They said this is because there was no fixed minimum payment amount. They explained later on, they sent a letter with an intention to terminate the agreement, and that Mr C had 69 days to pay the outstanding amount. As no payment was received, they applied a default with the CRA's.

Mr C replied to Arrow, explaining he didn't think Arrow had seen how his account had been handled. He said when N were ringing him the ringer only went two or three times not giving him enough time to answer it. A member of staff insulted him on a call, and finally as someone who has a long-term disability he asks where he was supposed to get the funds to pay off the debt within a short time period.

Unhappy with Arrow's response, Mr C asked us to look into things. One of our Investigators did so and said Arrow didn't handle things correctly. Because of this, he said they should remove the default and pay Mr C £300 compensation.

Mr C accepted the outcome, but Arrow didn't. They said N's last response showed all the correct calls had been made, so they didn't agree. Because of that, 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.

The relevant legislation that allows Arrow to end their agreement with Mr C is the Consumer Credit Act 1974, and specifically section 98(A) which is titled "*Termination etc of open-end consumer credit agreements*".

Part 3 of this act says:

Where a regulated open-end consumer credit agreement, other than an excluded agreement, provides for termination of the agreement by the creditor—

(a)the termination must be by notice served on the debtor, and

(b)the termination may not take effect until after the end of the period of two months, or such longer period as the agreement may provide, beginning with the day after the day on which notice is served.

Arrow have said there were no minimum payments expected – and this was a credit card account. So, it meets the definition of an open-end consumer credit agreement.

This means Arrow can terminate the account with two months' notice – this is what they did by sending their letter on 15 June 2021. The agreement was then terminated just over the two months – so this is fine.

But there is no provision I can see in the legislation that allows for this to serve a dual purpose as a default notice – which it appears is what Arrow have done.

So, I can't see that Arrow have given Mr C a fair opportunity to repay what he owed.
I'd also add that I don't agree with Arrow's comments that all calls took place correctly. It's clear from N's own words that there were numerous issues with calling Mr C as they had agreed to do so – and as Mr C needed due to his specific circumstances.

So, taking into account those two pieces of information, I need to consider what would have happened, had things been handled correctly.

By N's own words, part of the reason the account fell into default is due to them not calling Mr C to take the payments as they'd agreed to do. I can't see this matter was ever fully resolved – as ultimately Mr C had to resort to paying N online, to ensure the payments were made. So, I think this is part of the reason the arrears built up.

In addition, Mr C has subsequently demonstrated he could have paid off the debt. My understanding is Mr C received a large disability payment shortly after the account was defaulted – and did agree a partial settlement with Arrow to close the account down.

So, given it seems N weren't calling Mr C like they'd agreed to, and they didn't send a default notice giving Mr C a fair chance to repay the debt – I don't think Arrow have treated Mr C fairly.
Because of that, I do think Arrow need to remove the default, and pay Mr C £300 compensation for the distress this matter has caused him. He's explained he was hoping to purchase a property, but this has had to be put on hold due to Arrow's errors. I can also see Mr C has tried to clarify Arrow's apparent misunderstanding about events, but with no success.

My final decision

For the reasons I've explained above I uphold this complaint and require Arrow Global Limited to remove the default from all CRA's and pay Mr C £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 October 2022.

Jon Pearce
Ombudsman