

The complaint

Mrs B complains that Arrow Global Limited closed and defaulted her credit card despite agreeing a payment arrangement with debt collectors acting on its behalf.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Arrow acquired a credit card debt in Mrs B's name in March 2020. The account was active and no default had been reported. There was no minimum payment set at the time Arrow purchased the account.

Arrow instructed a third party business I'll call B to contact Mrs B with a view to collecting the debt. In February 2021 Arrow sent a default notice to Mrs B that said she needed to make a payment of £189 by 18 April 2021 to stop her account defaulting. A few days later, Mrs B discussed her account with N and agreed a payment arrangement for £15 a month.

Mrs B maintained the payment arrangement, but Arrow terminated the credit card account and recorded a default in April 2021. Mrs B went on to complain to both N and Arrow about the decision to record a default on her credit file. N said it was acting on Arrow's behalf but accepted that its agents hadn't gone over default notices with Mrs B when discussing the payment arrangement. Arrow said it had acted in line with its default notice but offered to backdate the default to September 2020.

An investigator at this service looked at Mrs B's complaint and upheld it. They said the original lender should've taken the decision to close and default the credit card in 2016 and asked Arrow to backdate the default to that date. Arrow asked to appeal and said it isn't responsible for mistakes made by the previous lender. As Arrow asked to appeal, Mrs B's complaint has been passed to me to make a decision.

What I've provisionally 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've taken the step of issuing a provisional decision in this case. I agree with the investigator's view Mrs B's complaint should be upheld. But I've reached my conclusions for different reasons. And I intend to resolve Mrs B's complaint in a different way. As a result, I need to give both parties a chance to respond before I make my final decision.

The account was purchased by Arrow and N was instructed to collect the debt on its behalf. I can see Arrow sent Mrs B a default notice in February 2021. And I'm satisfied Mrs B received it.

On receipt of the default notice, Mrs B contacted N. Mrs B went on to agree a payment arrangement with N for £15 a month against an outstanding balance of £189. If the

payments were maintained, the outstanding balance would've been repaid in around a year and a half. I haven't seen anything that shows Mrs B wouldn't have continued to make payments if the payment arrangement had continued. Mrs B made five payments in line with the agreed arrangement before she found the account had been terminated and a default reported.

Whilst this complaint relates to Arrow's actions, I'm aware of the circumstances of Mrs B's complaint against N. And whilst I understand we've looked at a related complaint against N, in terms of its debt collection activities, it wasn't acting independently – it was acting on Arrow's behalf. So I think Arrow needed to ensure very clear guidance was given to N to ensure Mrs B was aware of the status of her account. And I think Arrow needed to ensure its agents had the necessary information to give clear guidance to Mrs B.

N's final response to Mrs B confirms its agent didn't go over the default letter she'd received when she agreed the payment arrangement. And Mrs B has told us she thought that agreeing a payment arrangement meant the decision to default her account had been placed on hold. So whilst I can see Arrow sent a default notice to Mrs B, I'm satisfied she thought the process had been halted on the basis she'd agreed a payment arrangement.

My view is further reinforced by the fact Mrs B made the agreed repayments for five months, until she found Arrow had closed and defaulted the credit card account.

The Information Commissioner's Office's industry guidance says that if a payment arrangement is maintained a default won't normally be registered unless the terms aren't maintained. And I think that's the fairest approach to follow here. I'm satisfied that confusion was caused by Arrow that led to Mrs B making payments under a payment arrangement. Given the amounts involved, I think it's more likely than not Mrs B would've been able to reach an alternative solution to avoid the default if the situation had been made clear to her.

I intend to uphold Mrs B's complaint and direct Arrow to remove the default from her credit file. The outstanding balance was around £115 following Mrs B's payment of £15 in June 2021. Arrow should allow Mrs B to either continue paying the balance back at £15 a month or in full via a single payment. Once repaid, Arrow should take steps to remove the default from Mrs B's credit file.

I'm satisfied the issues raised have caused a reasonable level of trouble and upset for Mrs B over a sustained period. So I also intend to tell Arrow to pay Mrs B £150 for the distress and inconvenience caused.

I invited both parties to respond with any further points they wanted me to consider. We didn't hear back from Mrs B. Arrow responded to say Mrs B had already paid the outstanding balance, back in April 2022. Arrow also said the default process was correctly followed and that it isn't responsible for poor service provided by N.

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.

Arrow's confirmed Mrs B's outstanding balance was repaid in April 2022. So no repayment period is required in terms of settling the debt.

Arrow says it isn't responsible for poor service provided by N, but my view is the issues raised go beyond that. I think Arrow needed to ensure its agents were aware that setting up

a repayment plan with Mrs B wouldn't avoid the default, so that information could be given to her. I haven't seen anything that shows that information was clearly communicated. I'm not persuaded this is a service issue, especially considering Arrow is enforcing the terms of the credit agreement under the relevant regulations.

I note what Arrow says about the regulations the default was issued under but I haven't been persuaded to change the conclusions I reached in my provisional decision.

I remain of the view that Mrs B's complaint should be upheld for broadly the same reasons.

My final decision

My decision is that I uphold Mrs B's complaint and direct Arrow Global Limited to settle as follows:

- Report account as settled and remove the default from Mrs B's credit file
- Pay Mrs B £150 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 December 2022.

Marco Manente
Ombudsman