

The complaint

Mr O complains that Bank of Scotland plc, trading as Halifax (BoS) passed his credit card debt to a third-party to manage the debt, while he had an arrangement to repay the balance to BoS.

What happened

Mr O says that in 2016, he made an arrangement with BoS to repay his credit card debt. He says that BoS sent him a letter in November 2022, letting him know that he was late in repaying the debt, despite him having made a payment. Mr O says he then received a letter dated 30 November 2022, which let him know that BoS had passed his debt to a third-party to manage – I'll refer to this firm as "M".

Mr O says he has continued with the arrangement he has with BoS and has made payments to it on 14 December 2022 and 4 January 2023. And he intends to stick to this arrangement. He feels that BoS have been unfair in transferring the debt to M.

Mr O also complains that BoS have made a number of erroneous claims, which he says aren't correct. I have summarised these below:

- The arrangement was broken.
- BoS were unable to contact Mr O to rectify the situation – however Mr O says he goes into branch on a weekly basis.
- He has been paying a separate debt collection agency, since 2016 – again this isn't correct because he has been making direct payments to BoS over the counter in branch.
- BoS claim they can't provide Mr O with statements of his payments after December 2019 – this isn't correct because he has a statement from September 2021.
- He says BoS told him that referring his account to a debt collection agency doesn't impact his credit score – however his credit report contradicts this statement.

Mr O says this situation has caused him a lot of stress. And he has lost out because his credit score has been affected by the debt being managed by a debt collector. In order to resolve things, Mr O would like BoS to:

- Take the debt back from the debt collection agency and continue with the arrangement in place to repay the debt.
- Fix any damage to his credit report.
- Apologise and compensate him to the time spent on the matter and the stress it has caused.

BoS responded to Mr O's complaint, but it didn't uphold it. It said it was part of the terms of the agreement that it could instruct a debt collection agency to manage the account. And so it hadn't done anything wrong when it instructed M.

Unhappy with BoS's response, an Investigator looked into the matter. They didn't think BoS had done anything wrong. And they thought it was fair of BoS to pass Mr O's account to a debt collection agency to be managed.

Mr O didn't agree with the Investigator. Ultimately, he remained of the view that it was unfair of BoS to pass his account to a debt collection agency when he was still repaying it.

Because Mr O didn't agree, the complaint has been passed to me to make a decision on the matter.

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.

Mr O has made a number of points relating to the things he says BoS have done wrong. In reaching my decision, I've haven't reflected all the information provided by both parties. But I'd like to reassure both parties that this isn't because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless it's relevant to the crux of the complaint. To be clear, the main crux of Mr O's complaint is that BoS have instructed a debt collection agency to act on its behalf in recovering the outstanding balance remaining on Mr O's credit card account.

Based on everything I've seen; I won't be upholding Mr O's complaint – I appreciate this decision will come as a disappointment to him however I will explain my reasons for this below.

I can see Mr O's account defaulted in 2015. An account will generally default when someone fails to meet financial obligations under the agreement. In Mr O's case, I can see this happened because the account fell into arrears. Once the account defaulted, it became repayment only and no interest was applied to the account.

The credit agreement and the terms of the account allow for BoS to instruct agents to act on its behalf in collecting the debt. It also allows BoS to sell on the debt. Mr O's original credit agreement states:

"We may transfer any or all of our rights or duties under this agreement to another organisation (including organisations outside the European Economic Area). If we do this, we may let them have any information about you or an additional cardholder. We may also arrange for any other person to carry out our rights or duties under this agreement. Your rights under this agreement and your legal rights (including under the Consumer Credit Act 1974) will not be affected."

Such terms are commonly included in credit agreements, and I don't find these terms to be inherently unreasonable or unfair. From what I have seen, BoS haven't (yet) sold the debt, and it has just instructed M to manage the debt and recovery of the debt on its behalf. Mr O's account defaulted many years ago and is no longer a fully functioning account. I don't find it unfair that BoS has instructed a third-party to manage the account on its behalf.

I take on board Mr O's point that he was keeping up with repayments – and this might well be the case. But BoS are still entitled to instruct agents to act on its behalf even if payments are being made to the account. BoS have stated that it took a business decision to

outsource management of the account, and in the circumstances of this complaint, where the account has defaulted, there isn't anything wrong or unfair about this.

I haven't seen any evidence that the outsourcing of the debt has impacted Mr O's credit score. Credit scores can be determined by a number of different factors. So, it would be difficult to say that the outsourcing of the account was the reason for any change in Mr O's credit score. In any event, I haven't found it unfair of BoS to pass Mr O's account to a debt collection agency, and so I won't be asking it to do anything further here.

To address Mr O's point about the statements. BoS are no longer required to produce a monthly statement for the account – this is because the account has defaulted - there is no interest being applied to the account and the account is repayment only. It appears BoS has been sending Mr O an annual statement to show the payments he's made over the year – which is sufficient.

I have also listened to the call Mr O had with an agent of BoS, in which he feels he was treated unfairly. I haven't found Mr O was treated unfairly on this call, nor have I found that the representative was rude or unhelpful. To the contrary, I have found that the representative was trying to help Mr O in providing an explanation as to why his account had been passed to M. I have noted that the representative eventually terminated the call, however, in my view this was a reasonable action as the call became unproductive.

Overall, I haven't found that BoS has done anything wrong, so I won't be asking it to do anything further for Mr O in relation to this complaint. I suggest Mr O contacts M to make payment arrangements based on his affordability.

My final decision

For the reasons set out above, I don't uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 19 May 2023.

Sophie Wilkinson
Ombudsman