

The complaint

Mr P complains about a default recorded on his credit file by Lowell Financial Ltd.

What happened

In November 2022 Lowell purchased a debt from a business I'll call B, with an outstanding balance of £1,002.73. Lowell says the debt was purchased in Mr P's name and had been closed at default by B on 27 July 2022. When Lowell purchased the debt it sent Mr P a Notice of Assignment. Lowell also started to report a default on Mr P's credit file.

Mr P has explained that he noticed a steep drop in his credit score a short time later. When Mr P checked his credit file he found Lowell's default and contacted it to get more information. Mr P has told us Lowell's staff were unable to provide many details but confirmed the debt had been purchased from B. Lowell went on to provide Mr P with a copy of the original credit agreement with B.

Mr P complained and has explained he wasn't aware of any default action taken by B. Mr P also told us that no default or adverse information had been recorded by B on his credit file in relation to the debt.

Lowell sent Mr P a final response on 14 April 2023 but didn't uphold his complaint. Lowell said B had reported the account as being in default with the credit reference agencies. But Lowell advised there are various credit reference agencies and it's possible B reports to a different organisation. Lowell explained that when B sold the debt it stopped reporting the default on Mr P's credit file, which is when it took over. Lowell didn't agree it had acted in error by reporting the default on Mr P's credit file.

An investigator at this service looked at Mr P's complaint. They were satisfied that Lowell had acquired a defaulted debt in Mr P's name. The investigator added that Lowell wasn't the business that had closed the account at default. The investigator said Mr P could refer his concerns about the way his account was closed and default process to B. Mr P asked to appeal and explained that Lowell was mistakenly recording a default on his credit file. Mr P explained that B had never recorded a default and that he was unaware that his account had been closed at that stage. As Mr P asked to appeal, his complaint has been passed to me to make a decision.

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 P has explained that B never reported his account as late or being closed at default. And Mr P has pointed out that he quickly contacted Lowell after his credit score reduced in early 2023. I can understand why, if Mr P was unaware of the status of this account, he was shocked to find the default recorded on his credit file. And Mr P reasonably asks why B's actions weren't reflected on his credit file in the same way.

In Lowell's final response it lists the different credit reference agencies that operate in the UK. Lowell explains that businesses may report to different credit reference agencies. And businesses won't necessarily report information to all the credit reference agencies. Lowell says it's possible that B doesn't report to the same credit reference agency as it does. That would mean the default may not have been reported by B to the credit reference agency Mr P uses. Ultimately, Lowell can't say why the default from B wasn't recorded with the credit reference agency that Mr P uses. But Mr P has the option of contacting B to check that point.

When a business takes the decision to close an account at default it has to follow various steps, like notifying the borrower. Again, Lowell had already purchased the debt when this step had been taken by B. If Mr P is concerned that he wasn't given the relevant notice or information about the status of his account before it was closed at default, he has the option of contacting B to investigate.

I understand Mr P may feel that Lowell has taken the decision to report the default without reasonable grounds. But I can see that Lowell has been back to B for further information and guidance. As a result, Lowell has obtained a copy of the original credit agreement between Mr P and B. And it's also obtained a copy of the transaction list that shows payments made to and from the account. The information from B also includes Mr P's personal details. So overall, I'm satisfied there is a reasonable amount of information that ties Mr P to the debt.

When Mr P contacted Lowell about the account, it contacted B to make enquiries. But B responded and confirmed Lowell should continue to report the account as being in default. If Mr P successfully challenges the circumstances of the default with B, I would expect Lowell to act on any instructions it receives from that business to cease reporting. But without confirmation from B that the default should be removed I'm satisfied it's reasonable for Lowell to report it.

I've also reviewed the original credit agreement Mr P entered into with B. It confirms that B was allowed to transfer its rights and duties under the credit agreement to a new owner without giving notice. And the rules Lowell operates under say it can take on reporting duties for a debt that is purchased in default.

I'm sorry to disappoint Mr P but I'm satisfied Lowell has provided reasonable evidence that confirms it purchased a debt in his name from B. And I'm satisfied the information shows the debt was outstanding and that it was sold to Lowell when it was already in default. As I've said above, if B later confirms the default has been recorded in error and should be removed from Mr P's credit file I'd expect Lowell to comply.

As I'm satisfied Lowell dealt with Mr P's complaint fairly I'm not telling it to do anything else.

My final decision

My decision is that I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 14 September 2023.

Marco Manente
Ombudsman