

The complaint

Mr G complains about legal action Cabot Credit Management Group Limited intends to take in relation to a credit card debt.

What happened

Mr G had a credit card with a business I'll call N that was closed at default in June 2022. Cabot purchased the debt from N in July 2022 and sent a Notice of Assignment to confirm the new arrangement and request contact from Mr G. Cabot says that despite attempting to contact Mr G on numerous occasions it wasn't able to discuss its debt with him. No payments were made.

In November 2022 Cabot appointed a firm of solicitors (M) to begin legal action. A letter before claim was issued by M on 11 November 2022 but when no contact from Mr G was received a legal claim was made to the courts on 16 December 2022.

In early January 2023 Mr G called to discuss the debt and advised the credit card was party to a payment arrangement before it was sold by N. Mr G raised a complaint and Cabot issued a final response on 17 January 2023. Cabot advised it had referred Mr G's concerns to N to respond to directly. The account was placed on hold while N investigated.

N issued its final response in March 2023 but didn't agree a payment arrangement had existed when the account was closed and sold to Cabot. In April 2023, on Cabot's behalf, M took the step of restarting its legal action to obtain a County Court Judgement (CCJ). Around the same time, M agreed to accept a payment arrangement of £1 a month for another credit card account Cabot holds in Mr G's name.

Mr G complained to Cabot about its decision to restart legal action instead of agreeing a payment arrangement, despite having agreed a plan for his other credit card debt. Cabot issued a final response on 6 June 2023 but didn't agree it had made a mistake. Cabot advised that once an account is referred for legal action its practice is to only accept a payment arrangement that would lead to the debt being repaid in under ten years. But Mr G was offering payments of £1 a month which wouldn't have repaid the balance in that timeframe. Cabot added that the other account it had in his name hadn't been referred for legal action, so it was able to make different arrangements with Mr G and accept £1 a month.

Mr G referred his complaint to this service and it was passed to an investigator. They didn't think Cabot had made a mistake and were satisfied it had dealt with Mr G's complaint fairly. Mr G asked to appeal and said Cabot had provided misleading information about his case and that it had yet to obtain a CCJ against him. Mr G added he felt Cabot's actions were unfair given his circumstances. As Mr G 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

In response to the investigator, Mr G said Cabot had been unclear concerning whether legal action had already taken place. I'd like to assure Mr G I'm aware that whilst Cabot's solicitors have referred the matter to the courts, no CCJ has been awarded yet.

I can see that Cabot attempted to engage with Mr G by letter and telephone over the course of several months from July 2022, before it took the decision to pass the credit card debt to its solicitors. But as no response or contact from Mr G was received it took the decision to start legal action to recover the balance. I'm sorry to disappoint Mr G but I'm satisfied that was a reasonable step in the circumstances of his case.

Mr G has explained that Cabot and its solicitors are aware of his circumstances and ability to make repayments. Mr G has pointed out that Cabot agreed to accept payments of £1 a month towards one credit card debt but not the other. I can understand why Mr G is concerned and feels the difference between the way his debts have been handled is unclear. But Cabot has explained that whilst it holds two debts in Mr G's name, they were at different stages of its collections process when the payment arrangement of £1 a month was agreed. And Cabot has confirmed that its practice is to only withdraw from legal action (once it's started) if an offer to repay the debt in under 10 years is received.

In this case, Mr G has offered Cabot £1 a month for the credit card debt in question but payments at that rate won't repay it within the 10 year time frame it's told us about. That's why Cabot has refused to withdraw its claim. Businesses are able to take legal action to recover a debt. And whilst I understand why Mr G has asked Cabot to withdraw the CCJ application, the Financial Ombudsman Service is unable to force it to do so.

When Mr G complained in January 2023 Cabot placed legal action on hold to allow N to investigate. It was only after N had issued a final response and confirmed no payment arrangement was in place when the credit card defaulted that legal action was started again.

Whilst I understand why Mr G's concerned that Cabot won't accept a payment proposal of £1 a month to avoid legal action despite being willing to do so on another debt, I haven't been persuaded it's made a mistake or treated him unfairly. As I've explained above, the two debts were at different stages of the collections process. And I'm satisfied that Cabot has explained how it treats debts once legal action has started and why its declined to withdraw the CCJ claim. As I'm satisfied Cabot has explained its position and no error was made, I'm not telling it to do anything else.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 25 October 2023.

Marco Manente
Ombudsman