

## **The complaint**

Miss Z complains that Link Financial Outsourcing Limited trading as Link Financial (Link) unfairly recorded a default on her credit file.

## **What happened**

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

*Miss Z took out a loan with a business I'll call F that fell into arrears. Miss Z went on to make payments via a debt advice service I'll refer to as S. The last payment F received on Miss Z's behalf from S was for £82.49 in March 2021. Miss Z says that S contacted F to request confirmation of whether the outstanding balance had been repaid and advised her loan was closed when no response was received.*

*In November 2022 Link acquired a loan from F in Miss Z's name with an outstanding balance of £258.74. Link says it wrote to Miss Z at the address it was given by F. Link's records show it sent Miss Z a letter on 28 November 2022 followed by a default notice on 26 January 2023. A termination notice was sent on 17 February 2023 confirming the loan had been closed. Link went on to record a default on Miss Z's credit file.*

*In March 2023 Link sent Miss Z a Notice of Assignment that said it had taken ownership of the outstanding loan balance from F. Link later explained it wrote to Miss Z's current address after completing a trace. Link suggested that it had been writing to Miss Z's old address. Miss Z complained and explained that she thought the loan balance had been repaid in full via S in 2021. Miss Z explained F hadn't contacted her or S about the remaining balance. And Miss Z pointed out that Link had sent the default notice to her old address but had later been able to trace her at her current address when issuing the Notice of Assignment. Miss Z asked Link to remove the default from her credit file.*

*Link issued a final response but didn't agree it had acted unfairly. Link said Miss Z's last payment was made in March 2021 so it's decision to record a default in January 2023 was a fair reflection of how her account had been handled.*

*An investigator at this service looked at Miss Z's complaint. They thought Link had dealt with Miss Z's complaint fairly and didn't ask it to do anything else. Miss Z asked to appeal so her 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.*

*Whilst I accept there was an outstanding loan that Link acquired from F, I think the decision to apply a default in January 2023 was unfair. I'll explain why.*

*When a lender acquires a debt in the way Miss Z's loan was purchased by Link the rules require it to send a Notice of Assignment to the borrower as soon as reasonably possible. In March 2023, Link sent Miss Z a Notice of Assignment to confirm it had taken ownership of her loan, around five months after the fact. But by the time Link had written to Miss Z with its Notice of Assignment to confirm the new arrangements, it had already terminated her loan and recorded a default on her credit file. In my view, it was premature of Link to take the step of issuing a default or termination notice to Miss Z before it confirmed the change in ownership and arrangements for her loan. At the time Link sent those letters, Miss Z hadn't been notified that it was authorised to discuss her loan, accept payments or take the step of closing it. I see no reason why Link was able to follow the termination process but wasn't in a position to issue a Notice of Assignment as is required by the rules. In my view, the way Miss Z's loan was administered was unfair.*

*I would add that whilst Miss Z may not have updated her address with F, from her perspective she believed the loan balance had been repaid in full. I can understand why Miss Z may not have gone on to update her address with a lender she thought had been repaid.*

*In response to the investigator, Miss Z pointed out that Link had been able to trace her in March 2023 so should've been able to do the same in November 2022 when it acquired her account. I agree with Miss Z that Link should've done more to trace her before applying the default. Especially given that no payment or contact had been made with F since March 2021. In my view, it would've been fairer too Miss Z for Link to have completed the tracing exercise when it took ownership of her account rather than waiting for it to have already been closed at default.*

*I'm satisfied that if Link had managed to trace Miss Z and confirm ownership of the loan before it took the step of issuing the default notice, she would've made contact to discuss the account.*

*It's unclear why the loan was left open for so long after payments ceased. Normally, we'd expect a business to close an account and record a default when arrears reach between three and six months. Here the account remained open until it was transferred to Link in November 2022, around 19 months later. Whilst Link isn't responsible for the way Miss Z's account was administered before that date, I think it could've done more to investigate her dispute concerning payments made up to March 2021.*

*I've gone on to look at whether Link was collecting a legitimate balance and how to resolve Miss Z's complaint. Link has supplied a detailed account history from F and I can see that when Miss Z's payments ceased in March 2021 there was an outstanding balance of £213.56. When Link purchased the account it had a balance of £258.74 due to interest that was then applied. Whilst I understand Miss Z may've been advised by S that the balance was repaid, the statement evidence doesn't support that. I'm satisfied that Link did acquire a debt in Miss Z's name that had an outstanding balance. In the circumstances, I'm satisfied it's fair for Link to request repayment.*

*I think the fairest way to resolve the complaint would be that if within four weeks of acceptance of a final decision Miss Z clears the outstanding balance of £258.74 or reaches an agreement to make affordable repayments, Link should delete the default from her credit file. Once repaid in full, Link should mark its account as settled in January 2023 without recording any other adverse information.*

*In my view, the issues Miss Z raised have caused a reasonable level of trouble and upset for her, in addition to having a default unfairly recorded on her credit file. So I also intend to tell Link to pay Miss Z £250 for the distress and inconvenience caused.*

I invited both parties to respond with any additional comments, information or evidence they wanted to provide in response to my provisional decision. Miss Z responded to say Link had recently contacted her to confirm the final outstanding balance was £90.76 and that she was willing to proceed in line with the provisional decision.

Link responded and said another part of its business, Asset Link Capital, had acquired the debt before it was closed at default. Link added that default notices had been issued in January 2023 and the account was closed when no payment was received. Link also confirmed it had reduced the outstanding balance to £90.76 by refunding interest that had been applied to the outstanding balance.

### **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.

Link has explained that the account was assigned to it by Asset Link Capital (another part of Link's group of businesses) shortly after it was closed at default. And it's confirmed that Asset Link Capital sent default notices to the address it had on file for Miss Z. That explains why the Notice of Assignment Link issued wasn't sent until March 2023, despite the account being closed at default in February 2023.

Link's provided further background surrounding how the default process was handled. And it's made the point that payments towards the outstanding balance stopped in March 2021. But Miss Z has explained that her payments ceased on the advice of S when her payment plan ended. Miss Z has explained that S contacted all her creditors and asked them to confirm whether any outstanding balances remained. When no contact was received from F (the original lender) S confirmed no further payments were due. I accept there was an outstanding balance, but I remain satisfied that Miss Z was acting on the advice of her debt advisors at the time and that she genuinely thought all payments due had been made.

It appears Asset Link Capital acquired the debt in November 2022 (although no evidence has been supplied to show it issued a Notice of Assignment at that time). By that point, no payments had been received for around 18 months and Miss Z had moved. As I said in my provisional decision, I wouldn't have expected Miss Z to update F about a change of address relating to an account she'd been advised was repaid. When Asset Link Capital acquired the debt, it sent collections letters and the default notice to Miss Z's old address. I can see that it was only after the account had been terminated in default and passed to Link that a tracing exercise located Miss Z's current address.

Given the length of time between her last payment and the transfer of ownership, I think more should've been done to find Miss Z's up to date address and contact her before taking the step of closing the account at default. Once it attempted to do so, Link was able to locate Miss Z's address reasonably quickly. I think it's more likely than not that Miss Z would've made arrangements to clear the balance before the default was put in place if earlier contact had been made.

So whilst I note everything Link has said and provided, I still think Miss Z's complaint should be upheld.

Link's response confirmed it refunded interest applied to the outstanding balance, bring it down to £90.76. As I said in my provisional decision, Link should contact Miss Z to make arrangements for an affordable repayment plan to be agreed for the remaining balance or accept a payment in full. I remain of the view that the way Miss Z's account has been handled has caused her an unreasonable level of distress and inconvenience, so I'm still awarding £250. If Miss Z would like Link to deduct the outstanding balance from this part of the award, to bring matters to a close, she can ask our investigator to arrange that with Link on settlement of the complaint.

### **My final decision**

My decision is that I uphold Miss Z's complaint and direct Link Financial Outsourcing Limited trading as Link Financial to settle as follows:

- If, within 28 days of accepting the final decision, Miss Z makes a payment to repay the outstanding balance or agrees an affordable payment plan, remove the default from her credit file and report the loan as settled in January 2023 without recording any other adverse information
- Pay Miss Z £250 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 13 December 2023.

Marco Manente  
**Ombudsman**