

The complaint

Mr C complains about Arrow Global Limited's actions when attempting to collect a debt that was fraudulently opened in his name.

What happened

Mr C has explained that after he moved out of an address a scammer opened various credit commitments in his name, one of which was a credit card with a business I'll refer to as V. The credit card was closed at default in June 2020 and sold to Arrow by V in July 2020.

Mr C says he was contacted by a firm of debt collectors in June 2022. Mr C went on to contact Arrow and attempted to raise a dispute on the basis the debt was opened by way of fraud. Arrow says that it declined to accept the dispute from Mr C as its agents were administering the debt on its behalf. Arrow says it referred Mr C to its agents to raise the dispute instead.

Mr C's explained he attempted to raise the dispute with V directly but experienced difficulties in doing so. Mr C went on to raise a complaint with Arrow and it issued a final response on 22 March 2023. In its final response, Arrow said it had previously referred Mr C to its agents to raise the dispute. Arrow explained it hadn't raised a dispute with V following Mr C's contact or taken any other action. Arrow said it hadn't seen anything that would cause it to close the account. Arrow added the debt had been recalled from its agents in January 2023 and that solicitors had been instructed to attempt to collect the outstanding balance instead.

V subsequently contacted Arrow and bought the account back.

An investigator at this service looked at Mr C's complaint and upheld it, asking Arrow to pay him £200 for the distress and inconvenience caused. Arrow didn't agree so Mr C's 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've been brief in setting out the background above as all parties broadly agree about the timeline of Mr C's complaint. Mr C says that when he was contacted about the debt with V he attempted to raise a dispute with Arrow but it refused to assist. Arrow says it referred Mr C to its agents in July 2022 to raise the dispute so didn't take any action at that time.

I've looked at the relevant regulations to see whether Arrow treated Mr C fairly. CONC 7.5.3 says a firm must not ignore or disregard a customer's claim that a debt is disputed and must not continue to make demands for payment without providing clear justification or evidence as to why the customer's claim is not valid. Here, Mr C attempted to raise a dispute with Arrow on the basis the debt had come about as a result of fraud but no dispute was raised with the original lender and it refused to assist – instead referring him to its agents.

I understand Arrow had a separate business in place acting as debt collectors. But there's nothing in the regulations that says customers can only raise a dispute with a business' agents where they have been appointed. Whilst I understand the other business was servicing the account, I see no reason why Arrow couldn't have taken the details of Mr C's dispute from him and either raised it directly with V or referred it to its agent to deal with. In short, I agree with the investigator that it would've been fairer for Arrow to raise the dispute with V or taken other reasonable steps following Mr C's contact with it.

CONC 7.5.3 explains a business shouldn't take steps to recover a debt that's been disputed by a customer without providing clear justification or evidence to show it's entitled to do so. But attempts to collect the outstanding balance continued, despite Mr C attempting to raise the dispute with Arrow.

I think it's reasonable to consider this situation from Mr C's perspective. He didn't open the original credit card with V and has explained he was shocked to find out that a business he had no dealings with (Arrow) had become owner of the debt. Arrow, in turn, refused to deal with Mr C or discuss the account it said it owned in his name, instead referring him to a third party business of debt collectors he had no knowledge of. From Mr C's perspective, I can understand why he wanted to deal with the business that claimed it was the owner of a debt in his name. In my view, if Arrow wasn't willing to raise the dispute itself, it ought to have contacted its debt collectors following Mr C's contact in 2022 and asked it to do so instead. I don't agree it was reasonable to refuse to assist Mr C when he made contact about the disputed account.

Our investigator asked Arrow to pay Mr C £200 for the distress and inconvenience caused by the way it handled the debt and his attempts to raise a dispute. I agree with the investigator that Arrow failed to handle the dispute in a reasonable way which caused Mr C an unnecessary level of distress and inconvenience. I'm satisfied a payment of £200 reasonably reflects the impact of the issues raised on Mr C and is a fair way to resolve his complaint. As a result, I'm going to uphold Mr C's complaint and direct Arrow to pay him £200.

My final decision

My decision is that I uphold Mr C's complaint and direct Arrow Global Limited to settle by paying him £200. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 February 2024.

Marco Manente
Ombudsman