

The complaint

Mr K has complained that Debt Managers (Services) Limited recorded a default on his credit file, for an account which he says was taken out fraudulently without his consent.

What happened

In 2018, a consumer credit account was opened in Mr K's name at his address. Items were ordered in his name and sent to his address.

In 2019, the account defaulted, and was later sold to Debt Managers. Mr K arranged a repayment plan with Debt Managers, with a family member helping him with payments. The account was paid off in 2021.

In 2023, Mr K claimed the account was fraudulently opened by a family member. Debt Managers forwarded the dispute to the original lender, and initially offered to remove the default as a gesture of goodwill. Mr K rejected that offer. The original lender then got back to Debt Managers with the findings of their fraud investigation, where they'd concluded that the account was not fraudulent. So Debt Managers withdrew their offer.

Mr K came to our service. Our investigator looked into things independently and didn't uphold the complaint. They explained that Debt Managers were not responsible for the original lender's actions before the debt was sold. They found that Debt Managers had handled the dispute reasonably.

Mr K didn't agree, so the complaint's been passed to me to decide.

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.

As our investigator explained, in this case I can only fairly hold Debt Managers responsible for things which Debt Managers did. I understand Mr K is unhappy with how the account was opened, ran up its balance, and defaulted. But Debt Managers didn't open this account, nor administer the account while it was being spent on, nor default it. That was done by the original lender, who still exists and who Mr K should have really directed his complaint to. Similarly, I understand that Mr K is unhappy with the correspondence he's had with the original lender – but again, that's the original lender's responsibility, not Debt Managers'. I can see that our investigator has helped Mr K to set up a separate case against the original lender, where those issues can be looked at.

While Debt Managers have been reporting a default on Mr K's credit file, that was not a new or duplicate default. That was simply a continuation of the same default that the original lender registered before they sold the account to Debt Managers. It was correct for Debt Managers to continue reporting the existing default when they bought the account.

Debt Managers were responsible for the way they handled Mr K's dispute. But I can see they did so appropriately. I listened to Mr K's calls with Debt Managers, and found that the staff member handled things professionally and helpfully. They forwarded the dispute to the original lender for Mr K, chased the lender, gave him updates, and offered to remove the default on Debt Managers' end – which they didn't need to offer. They said they'd think about compensation, but they didn't make any offer of compensation at that stage.

However, Mr K rejected the offer to remove the default. And then the original lender told Debt Managers they'd already investigated Mr K's concerns and found that the account was not fraudulent. In summary, they found the following:

- It was taken out with Mr K's correct personal details
- Mr K had made payments towards the account as well as the third party
- Statements and letters were sent to Mr K at his address – the same address his other genuine accounts were registered to, the same address he was on the electoral register at, and the same address he provided in his complaint
- Items were delivered in Mr K's name to his address
- The items bought were not suspicious and included men's goods
- The pattern of spending did not indicate fraud
- Mr K didn't report this as fraud until years after he reasonably became aware of the account, and refused to report the matter to the authorities

With all that in mind, it seems fair that Debt Managers withdrew their offer to remove the default, and chose not to offer compensation. They weren't required to remove that default unless the account was found to be fraudulent – which it had not. The offer had only been a goodwill gesture based on incomplete information. They'd since received new information which reasonably changed their position. And Mr K had rejected that offer in any case.

Mr K says Debt Managers confirmed in calls that the account was fraudulent. But they did not. They simply noted that payments and an email address appeared to have come from a family member; though they also noted that Mr K appeared to have called in and engaged with the account himself. They made it clear that Mr K really should report the matter to the police, that they were waiting to hear from the original lender, and that their offer was just a goodwill gesture to try to resolve the complaint. They later made it clear that they'd withdrawn that offer after Mr K rejected it and the lender sent them new information.

I find that Debt Managers handled this matter appropriately. I have not found any basis on which they owe Mr K any compensation. And I do not require them to remove the default at this stage. If the account is later found to have been fraudulent, Debt Managers will remove their entry on Mr K's credit file as standard anyway. But as I explained before, I cannot conclude whether it was fraudulent or not in this case against Debt Managers, nor hold Debt Managers responsible for any such fraud, as Debt Managers neither opened the account nor ran it when it was being spent on. That will need to be considered in a separate case against the original lender.

My final decision

For the reasons I've explained, I don't uphold Mr K's complaint against Debt Managers (Services) Limited.

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 March 2024.

Adam Charles
Ombudsman