

The complaint

Miss J complains that Barclays Bank UK PLC trading as Barclaycard sent a refund to a debt collection agency (DCA).

What happened

Miss J had a credit card from Barclaycard. In 2022, she ran into financial difficulty and the payments to her Barclaycard stopped. After a period, Barclaycard defaulted the debt and sold it to a debt collection agency (DCA).

The debt was sold to the DCA in October 2022. The balance was £5,473.80. No payments were made to the DCA.

In August 2023, Miss J came to an agreement with the DCA that the debt be written off. So the balance with the DCA was then zero. The DCA marked her credit file as partially satisfied with a zero balance.

Miss J then complained to Barclaycard – she said the credit card should not have been provided as the firm didn't complete sufficient checks. Barclaycard upheld her complaint and agreed to refund interest and fees of £790.55. Due to an error, the refunded amount was wrong and Barclaycard then refunded a further £172.96. Both refunds were sent to the DCA – to reduce Miss J's debt with the DCA.

Barclaycard removed their entries from Miss J's credit file.

Miss J complained – she said the debt was sold to the DCA and they became legal owners of the debt (and were not acting on behalf of Barclaycard). Therefore, they were a standalone company with no relationship with Barclaycard. Barclaycard shouldn't have sent the refunds to the DCA but should've paid the money directly to herself.

Barclaycard's final response confirmed they'd lent to Miss J irresponsibly and detailed the refunds which had been sent to the DCA; with her credit file being updated to remove references to Barclaycard's debt. The final response didn't go into whether the refunds should be sent to the DCA or not – as Miss J had brought her complaint about that to us.

Our investigator didn't uphold Miss J's complaint. She said she still owed money to the DCA and Barclaycard were entitled to send money to the DCA.

Miss J disagreed – she said again that the debt was sold to the DCA and it was owned by the DCA.

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.

Miss J argues that as the DCA is a separate legal entity and the debt was sold to it, then the refund of interest and charges should be paid to her directly and not passed to the DCA. I note that Miss J has brought a similar complaint to our service about the DCA – but in this decision, I consider what Barclaycard did.

At the outset I'd like to say that we are not a consumer group – we are an informal complaint resolution service. We are independent and impartial and our role is to listen to both sides of a complaint, take evidence from both parties, and then decide on a fair and reasonable outcome. It's important to bear this in mind here.

It's not in dispute that Miss J owed money to Barclaycard on her credit card - £5,473.80. And it was then sold to the DCA and then written off.

Even though Barclaycard weren't the owner of the debt anymore, there was still an amount outstanding and owed by Miss J. I've thought about this and it wouldn't seem fair or reasonable to me for that money to be given directly to Miss J - when actually it should go to reducing the debt.

And I must also bear in mind the refund of interest and charges isn't something Miss J will typically have paid for herself (because the debt was sold with an outstanding balance) so she's not 'losing out' by the refund going the DCA – it just reduces the written off balance at the DCA.

I can appreciate that Miss J doesn't see it that way of course, but I'm satisfied that on balance, this is a fair and reasonable decision here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 1 July 2024.

Martin Lord
Ombudsman