

The complaint

Miss J complains about PRA Group (UK) Limited's decision to use a refund received after she made a successful irresponsible lending complaint to reduce an outstanding balance it previously agreed to write off.

What happened

In October 2022 PRA purchased a credit card debt of £5,473.80 in Miss J's name from a business I'll refer to as B. In 2023, PRA agreed to cease collections activity and record the account as partially satisfied with a £0 balance outstanding on Miss J's credit file.

Miss J went on to raise an irresponsible lending complaint with the original lender, B, that was upheld. As a result, B agreed to refund £790.55 of interest and charges to the outstanding balance. The funds were sent to PRA which used them to reduce the balance of the debt from £5,473.80 to £4,683.25.

Miss J complained that the refund wasn't forwarded to her and was instead used by PRA to reduce the balance of a debt it had already agreed to write off. PRA issued a final response on 26 February 2024 but didn't agree it had made any mistakes or acted unfairly by using the refund to reduce the balance on account. Another final response was issued on 1 March 2024 that confirmed PRA's decision to use the refund to reduce the balance was correct. PRA offered Miss J £50 to apologise that its email to confirm the balance had been written off could've been clearer.

An investigator at this service looked at Miss J's complaint. They thought PRA had followed industry guidelines when reporting that Miss J's debt had been partially settled with a balance of £0. The investigator wasn't persuaded PRA had acted unfairly by using the refund to reduce the account balance. They also pointed out that the refund represented interest applied to the debt by B, not the funds that were lent to Miss J or payments she made.

Miss J asked to appeal and said PRA had sent her multiple correspondence that said the amount owed had been reduced to £0 in August 2023. Miss J also said the way PRA had reported the debt to the credit reference agencies was wrong. As Miss J asked to appeal, her 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.

I can understand why Miss J was disappointed that after B upheld her irresponsible lending complaint, the refund of interest and charges wasn't paid to her directly. But I think PRA makes a reasonable point when it says that it purchased a debt of £5,473.80 in Miss J's name and that no payments were made to repay it. The decision to write off the outstanding balance and cease collection attempts from Miss J was made on the basis of her circumstances, not because the balance wasn't outstanding any longer.

I also think the investigator makes a fair point when they highlighted that the refund didn't represent money that had been lent to Miss J or payments she'd made, only interest and charges applied to the credit card by B while it was still active. Whilst I understand PRA ultimately took the decision not to pursue Miss J's debt further, I'm satisfied the account balance remained on its books after that decision was taken.

Ultimately, I'm satisfied it was reasonable for PRA to use the refund paid by B to reduce the balance on account rather than to pay it to Miss J directly. I'm sorry to disappoint Miss J but I haven't been persuaded that PRA made a mistake or treated her unfairly by taking that approach.

In response to the investigator, Miss J queried PRA's approach to recording the partially satisfied default debt on her credit file. But the Information Commissioner's Office (ICO) gives the following information:

"If a debt has not been paid off in full we do understand that the lender may be reluctant to mark the credit file as "satisfied". However, where an organisation has decided to stop pursuing a debtor for payment, it would appear unfair to show that money is still owed under the account. In these circumstances, we would generally expect an organisation to indicate the situation on an individual's credit file, in some way. Organisations will usually mark an account as "partially settled" or "partially satisfied". This shows any lenders searching your file that you are no longer being pursued for the debt but also that the debt was not fully repaid."

I'm satisfied that the way PRA has reported the debt on Miss J's credit file complies with the guidance provided by the ICO. I haven't seen anything that shows the debt has been incorrectly reported or that PRA has made any errors with Miss J's credit file.

I note PRA offered Miss J £50 to apologise that its email to confirm she would no longer be pursued for the outstanding balance could've been clearer. I'm satisfied that's a fair offer and reasonably reflects the level of distress and inconvenience caused to Miss J.

As I'm satisfied PRA has already made an offer that is fair and reasonable in all the circumstances, I'm not telling it to do anything else.

My final decision

My decision is that PRA Group (UK) Limited has already made an offer that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 5 September 2024.

Marco Manente

Ombudsman