

The complaint

Mr H complains that Cabot Credit management Group Limited trading as Cabot Financial (Europe) Limited (Cabot) recorded a default on his credit file in relation to a debt that isn't his.

What happened

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

In December 2022 Cabot carried out a tracing exercise in relation to an outstanding debt. Cabot has explained it used information from public records and the credit reference agencies to try and locate the borrower. Cabot says information from a credit reference agency suggested the borrower was Mr H so it updated its records. Cabot went on to contact Mr H regarding the debt in the belief it was its customer. Cabot also took the step of recording a default on Mr H's credit file.

On 20 December 2022 Mr H contacted Cabot advised that the debt didn't belong to him. Mr H pointed out the surname was similar but different to his and raised concerns he was being contacted as part of a scam. Mr H also confirmed he didn't recognise the original address Cabot had on file for the borrower it was seeking to contact. A dispute was logged. A short time later, Cabot started to receive disputes Mr H made via the credit reference agencies.

Cabot's explained that it responded to the credit reference agency disputes by explaining it was investigating the issue and provided a telephone number for Mr H to call it.

On 25 January 2023 Cabot completed its review and confirmed it had incorrectly traced Mr H to the outstanding debt. Cabot says it arranged for the credit reference agencies to remove any address links it had created from his credit file, thereby removing the default. Cabot wrote to Mr H and advised it would take around eight weeks for the default to be removed from his credit file.

Mr H has explained that despite Cabot's assurances, the default remained on his credit file with one of the main three credit reference agencies (T).

Cabot issued a final response to Mr H on 13 March 2023 and said it had taken the necessary steps to remove the default and any address links from his credit file. Cabot offered Mr H £100 for the distress and inconvenience caused by its error.

Mr H has explained that despite Cabot's promise to remove the default from his credit file, it continued to be recorded with one of the main credit reference agencies. Mr H says that when he attempted to dispute the default with credit reference agencies he was referred back to Cabot. But when Mr H tried to address the issue with Cabot, he says he was referred back to the credit reference agencies.

An investigator at this service looked at Mr H's complaint. In July 2023 the investigator contacted T and it responded to confirm that Cabot was still reporting the account to it each

month. T also confirmed Cabot was responsible for the address link that led to the default being recorded on Mr H's credit file.

The investigator ultimately felt Cabot had done everything it could to resolve the situation and didn't ask it to do anything else. Mr H asked to appeal and said the default continued to be reported on his credit file with T despite Cabot's assurances. Mr H also explained he felt Cabot had failed to carry out reasonable due diligence before placing the default on his credit file. As Mr H asked to appeal, his complaint was passed to me to make a decision.

I recently asked our investigator to contact both parties to request further information and updates. Mr H provided evidence that he'd been back to T on several occasions to try and resolve the issue after Cabot refused to assist further. Mr H provided copies of T's responses where Cabot asked him to call it to resolve the issues. Mr H said the default remained on his credit file until May 2024 and has only recently been removed. Mr H added that Cabot had placed the default on his account in January 2023 after he'd already raised a dispute. Mr H said despite Cabot's promises to resolve the issue it took months for two of the main credit reference agencies to remove the defaults. Mr H explained the default with T remained on his credit file from January 2023 until May 2024.

I also asked for additional information from Cabot showing the information it had used to link Mr H with the debt. I also asked what had happened since Mr H's complaint had been referred to us and whether the default had been removed from his credit file with T. Cabot didn't respond.

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.

I've been reasonably brief in setting out the timeline above as all parties are aware of the key issues and events that caused Mr H to complain. I think it's fair to say that the starting point for Mr H's case is that Cabot made a mistake when trying to trace its customer. Cabot incorrectly identified Mr H as its customer so took the step of recording a default on his credit file and contacting him. But I think Mr H makes a fair point when he says the name of Cabot's customer, whilst similar to his, is different. Mr H lives at an address that is unconnected to the borrower. I recently asked Cabot to confirm whether there were other similarities, like the date of birth, that linked Mr H to the debt, but it didn't respond.

I'm not persuaded that Cabot acted fairly by recording a default on Mr H's credit file on the basis he had a similar name to its customer. I agree with Mr H that there appears to have been a failing in Cabot's due diligence and by linking his address to its customer and recording the default it treated him unfairly. I'm satisfied that if Cabot had done more to verify it had the right person before recording the default on Mr H's credit file it would've saved him a significant amount of distress and inconvenience.

It should've been simple for Mr H to have resolved the mistake with Cabot. But Mr H has explained it took several months for the default to be removed with two out of three of the main credit reference agencies. And Mr H has provided evidence that he continued to dispute the default information with T well after Cabot issued its final response and confirmed the default and address links would be removed. Mr H has provided evidence that shows he continued to dispute the debt with T until late last year. But when T contacted Cabot, it was simply asked to refer Mr H back to it to discuss the issue. Mr H has explained that at no time since he referred the case to us has Cabot contacted him directly to discuss the issue. And Mr H has explained that as the complaint was with this service, he was waiting for the issue to be resolved with Cabot.

As noted above, I recently asked Cabot to provide a range of information, including confirmation of whether the date of birth of its customer matched Mr H. I also asked Cabot to provide up to date contact and systems notes as well as details of any further disputes raised by T on Mr H's behalf. I wanted to get a better picture of why it took from January 2023 until May 2024 for the default to be removed from Mr H's credit file with T. Cabot didn't respond. But I'm satisfied we've got direct confirmation from T from July 2024 that confirms Cabot was continuing to record an address link on Mr H's credit file and the associated default. And Mr H has provided evidence that shows despite challenging the default further with T late last year, the default wasn't removed and the address link remained in place.

The default has now been removed from Mr H's credit file. But Mr H has confirmed it was reported as late as May 2024. I agree with Mr H that it took too long for the address link and default to be removed from Mr H's credit file. And I haven't seen evidence from Cabot that shows it dealt with Mr H's dispute in a timely manner or treated him fairly. As noted above, I agree that the step of recording the default on Mr H's credit file on the basis of a similarity in surnames was premature. And I agree with Mr H that the service provided was poor and that it should've been a simple process to get his credit file corrected within a short period. Taking these points into account, I haven't been persuaded Cabot's existing offer of £100 goes far enough in terms of recognising the level of distress and inconvenience caused.

Based on the information I've seen so far, I intend to uphold Mr H's complaint and increase the award for the trouble and upset caused. In my view a figure of £350 more fairly reflects the mistake in recording the default on Mr H's credit file and difficulties he's experienced over a long period of time getting the errors corrected. So unless I receive any new information that changes my mind, I intend to tell Cabot to pay Mr H a total of £350 for the distress and inconvenience caused.

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. We didn't hear back from Mr H with new information.

Cabot responded to my earlier information request that had gone unanswered. Cabot provided up to date copies of its contact notes with Mr H and the credit reference agencies. Amongst other things, Cabot confirmed it had identified an error with its processes that led to the incorrect data and default being reapplied to Mr H's credit file. Cabot explained it had taken the step of contacting all the credit reference agencies to ensure the default is deleted so it can't reappear on Mr H's credit file. Cabot also confirmed it's sent a request for all address links it's created to be removed from Mr H's credit file.

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 pleased Cabot's response provides some further background as to why the issue continued to impact Mr H's credit file, despite assurances it had been resolved. I've considered the information Cabot's provided but haven't been persuaded to change the conclusions I reached in my provisional decision. I remain of the view that Cabot's error in linking Mr H's details to its customer along with ongoing problems with its processes caused him an unreasonable level of distress and inconvenience. So I'm going to proceed in line with the conclusions I reached in my provisional decision and uphold Mr H's complaint – awarding him £350 for the level of distress and inconvenience caused.

I will add that should the account, default or any other issue relating to the third party's debt

with Cabot impact Mr H in the future he will be able to raise it as a new and separate complaint.

My final decision

My decision is that I uphold Mr H's complaint and direct Cabot Credit management Group Limited trading as Cabot Financial (Europe) Limited to settle by paying him £350 for the distress and inconvenience caused (less any compensation already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 August 2024.

Marco Manente
Ombudsman