

The complaint

Miss W complains that Credit Resource Solutions Limited (CRS) closed her account three times without giving a reason.

What happened

In January 2022 CRS was appointed as debt collector for a debt that Miss W owed her lender. Miss W had a debt management plan (DMP) with a Debt Management Company (DMC). In April 2023, CRS closed its account and returned the debt to the lender. The payments that Miss W's DMC made were returned.

In November 2023 the debt was assigned to CRS again and it gave Miss W a new account number. The account was closed and the debt returned to the lender in March 2024. Payments were returned to Miss W's DMC.

In March 2024 the debt was again assigned to CRS and it gave Miss W another account number. Miss W complained. She explained she didn't understand why payments were returned and accounts were closed. She feels this has negatively impacted her financial situation and she is worried about when the account number might change again which will affect her DMP.

CRS said that it had accepted a formal arrangement to pay from Miss W's DMC and when the amount and frequency changed, it considered the arrangement had defaulted. At this point the account was closed and returned to the lender.

Our Investigator felt this complaint should be upheld. They explained that there was no evidence that any formal arrangement to pay was agreed, and this is reflected in the differing monthly payments made to the account by the DMC. Our Investigator felt CRS failed to communicate the reasons for the changes in account numbers to Miss W and this caused her distress and inconvenience. The Investigator recommended CRS pay Miss W £125 compensation for this.

Miss W agreed with the Investigator's view but CRS disagreed. In summary it said it had followed the correct procedure in dealing with Miss W's DMC. It had communicated clearly, effectively and efficiently with Miss W and her DMC at all times.

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.

Having done so I don't think CRS has acted fairly so I'm upholding this complaint, I'll explain why.

CRS has pointed to the difference in payments it received from Miss W's DMC as a reason for closing the account and passing the debt back to the lender. But I can't see that it communicated this until it told Miss W of her new account number. Having listened to a call between Miss W and CRS it was clear that it hadn't explained to her beforehand why payments were being returned.

I've seen information from Miss W's DMC which suggests to me that it wasn't notified CRS rejected any of the repayment proposals it made. So, when the amounts the DMC paid CRS changed there was no indication that this would cause issues. I don't think CRS made it clear to Miss W or her DMC it had determined there was a fixed amount to pay each month and that any change to that would result in the account being defaulted, closed and the debt returned to the lender. And it didn't explain the resulting effects of that.

CRS points to entries on its account notes to suggest it had accepted a repayment amount. And it appears it had assumed this based on the date and amount of the first payment to the account from the DMC. But I don't think this was fair. Miss W's DMC has shown us the dates at which it sent repayment proposals which corresponds to the different amounts being sent to CRS. And in the absence of any rejection of these proposals, or an agreement that there was a formal arrangement to pay, I don't think it was fair for CRS to treat the arrangement as being defaulted when a different amount was received. Particularly as it was aware Miss W was in a DMP and ought to be aware how a DMP works – which is that Miss W pays one amount to her DMC which is distributed to her creditors and may change as her financial situation changes.

CRS' actions in assuming a formal arrangement to pay was in place rather than accepting or rejecting the DMC's proposals has led to Miss W's payments being returned, her account being closed and the account number being changed three times. This has caused Miss W inconvenience and clear distress as she had been making regular payments to her DMC.

The lack of communication around the reasons for changes in account number and CRS' assumption that there was a fixed arrangement to pay has meant Miss W has continued to worry about what might happen next with this particular debt. So, I think it's right CRS compensate her. I agree with the Investigator that £125 compensation is reasonable for the distress Miss W was caused.

My final decision

For the reasons I've explained, I uphold this complaint. Credit Resource Solutions Limited must pay Miss W £125 compensation for the distress and inconvenience it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 7 March 2025.

Charlotte Wilson
Ombudsman