

The complaint

The estate of Miss L (the estate) complains that Cabot Credit Management Group Limited trading as Cabot Financial (Europe) Limited (Cabot) are refusing to honour a reduced settlement they sent to the late Miss L prior to her passing.

What happened

The late Miss L had an account with Cabot with an outstanding balance of £15,599.59. Miss L sadly passed away on 28 July of 2024. Cabot had written to her on numerous occasions between 2017 and her passing offering her the option to settle her account for a reduced settlement amount. The amount differed in each offer. The last offer was sent 29 July 2024 and was for £4,667.87.

The estate contacted Cabot to advise them of the late Miss L's passing and was informed that the full balance would now be due from the estate. The estate complained about this and asked Cabot to honour the last settlement letter they had sent as it had been sent after the late Miss L's death.

Cabot didn't uphold the estate's complaint and said they weren't obligated to honour the offer. The estate referred the matter to our service. Our investigator didn't uphold the complaint. In summary they said there was no legal obligation for Cabot to accept a reduced settlement and so they hadn't acted unfairly.

The matter has now 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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

I'd like to start by offering my sincere condolences to the estate on the loss of Miss L. I realise that this will have been an extremely difficult time for the executors.

My role here is to assess if a business has done something wrong or stepped outside of their policies or the rules and regulations they have to follow. It is not my role to interfere with the running of their business and I have no power to compel them to change their policies.

Debt collectors often offer reduced settlement figures to entice debtors into clearing their debts early if they can afford to do so. This makes sense to them as it saves on admin costs and is good for the customer as they can be free of the debt. However, when a person passes away and they leave an estate, as is the case here, there is no benefit to the debt

collectors in honouring reduced settlements as the estate must by law clear the debts that are owed by the deceased.

It is true that Cabot sent a reduced settlement offer to Miss L the day following her passing. But at that time, they were unaware she had passed. There is nothing in the rules laid out by the regulator, the Financial Conduct Authority, or in any financial regulation I have seen that means that a business is obligated to honour a reduced settlement offer in these circumstances if they choose not to.

I understand this may seem harsh but bringing all of this together I can't see that Cabot has acted unfairly here and even if I did think they should honour the offer I have no power to compel them to do so. And so, I'm satisfied they are entitled to request the payment in full for the outstanding balance owed by the late Miss L.

I realise the estate will be disappointed with this outcome. But my decision ends what we – in trying to resolve their dispute with Cabot – can do for them.

My final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Miss L to accept or reject my decision before 28 July 2025.

Amber Mortimer
Ombudsman