

## **complaint**

Mr O complains about the way that Northern Debt Recovery Limited has dealt with him while it was seeking repayment of a loan. He is unhappy as he sent a £350 payment in full and final settlement of the debt but Northern Debt Recovery is still seeking further payments from him.

Mr O has another complaint with our service about when the original loan was granted. A separate final decision will be issued for that complaint and this final decision will only deal with the actions of Northern Debt Recovery.

## **background**

Mr O had taken out a loan and as it had not been repaid when due it was assigned to Northern Debt Recovery. Mr O sent Northern Debt Recovery a letter explaining that he was unable to repay the debt in full but he had however enclosed a cheque that he said was to be taken in full and final settlement of the debt. The cheque was for £350 and was not sufficient to cover the amount due, or the amount that Mr O had originally agreed to repay.

Northern Debt Recovery cashed the cheque but then sought further payment from Mr O as it said the cheque was not in full and final settlement of the debt.

Mr O was unhappy about being asked to make further payments to the debt and referred his complaint to our service. The adjudicator who considered the complaint ultimately found that Northern Debt Recovery should have realised the cheque was intended to be in full and final settlement of the debt. He also felt that if Northern Debt Recovery did not accept the payment as a final settlement it should have explained this to Mr O rather than simply cashing the cheque and seeking further payments from him. He also felt that the cheque should have been returned un-cashed to Mr O if it was not to be taken in full and final settlement.

The adjudicator explained that had Northern Debt Recovery correctly explained that the cheque would not settle the account in full Mr O would still be required to make further payments to the debt as the cheque was less than what was due. Northern Debt Recovery had said that it is now willing to accept an additional £250, paid over £50 instalments, to settle the account in full. The adjudicator felt that Mr O had suffered some inconvenience as a result of Northern Debt Recovery not dealing with Mr O correctly and recommended a payment of £50 be made in recognition of this.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr O originally borrowed £300 but as the capital sum and interest was not repaid when due the debt was assigned to Northern Debt Recovery for collection. Northern Debt Recovery said it would be willing to accept £600 to settle the loan in full and this was less than the amount that was actually due on the account.

Instead of paying the £600 Mr O sent a letter to Northern Debt Recovery explaining that he could not afford to repay the £600 but he had borrowed £350 from a relative. The letter

included the £350 cheque and made clear the payment should be taken in full and final settlement of the amount due.

Northern Debt Recovery says the cheque was processed before the letter was actually dealt with and as a result of this the cheque had been cashed before it could explain the £350 would not settle the account in full. Like the adjudicator, I think that Northern Debt Recovery should have explained to Mr O that it would not accept the £350 and it should have returned the cheque to Mr O. It was clear from Mr O's letter that the money had been borrowed from a relative and it would be difficult for Mr O to repay the relative and be expected to make additional payments to Northern Debt Recovery at the same time.

It was also clear from Mr O's letter that he was experiencing financial difficulties and Northern Debt Recovery is required to deal with Mr O in a positive and sympathetic manner. I do not think that simply cashing the cheque and seeking further payments is treating Mr O in a positive and sympathetic manner. I see little benefit however of Northern Debt Recovery now returning the £350 to Mr O.

I note that Northern Debt Recovery is willing to reduce the amount that Mr O was due to pay and it is now willing to accept the remaining £250 over five monthly instalments. Should Mr O wish to accept Northern Debt Recovery's offer to settle the account for a further £250 then he should ensure that payments of £50 are sent to Northern Debt Recovery over the next five months.

If Mr O is unable to afford the five payments of £50 then he will need to negotiate an agreeable repayment that he can afford. I understand that the reduced offer of settlement from Northern Debt Recovery is subject to being repaid over five payments of £50 and if he is unable to settle the debt over five payments Northern Debt Recovery may alter its settlement offer.

Mr O's credit file should reflect the repayment history on the account and as the account has not been settled I would expect the credit file to reflect this. If any adverse information has been recorded on Mr O's credit file, and providing it accurately reflects the history of the account, there are no grounds for me to instruct Northern Debt Recovery to amend the credit file.

Finally, I have also considered whether or not Mr O has been caused distress or inconvenience as a result of Northern Debt Recovery not correctly dealing with his offer of settlement. Had Northern Debt Recovery correctly informed Mr O that it was unable to accept his settlement offer then Mr O would have experienced further requests for repayment of the debt. This is essentially the same position that he has found himself in as Northern Debt Recovery has sought repayment of the remaining balance that is due. I do not therefore believe that Mr O has experienced any additional distress or inconvenience as a result of the way that Northern Debt Recovery dealt with his settlement cheque. I do not therefore feel there are sufficient grounds here to instruct Northern Debt Recovery to make a payment to Mr O.

**my final decision**

My final decision is that I uphold this complaint, in part, but I make no award or instruction against Northern Debt Recovery Limited.

Mark Hollands  
**ombudsman**