

complaint

Mr M complains that Arrow Global Limited (AGL) used money from a payment of compensation to settle an earlier debt. He wants AGL to repay the money.

background

In 2002 Mr M opened a credit card account with a business, which I'll refer to as Bank 2 Monument. This account with its debit balance was later sold to AGL in 2007. Mr M repaid most of this later that year. He's told us he'd an agreement with AGL that this lump sum payment would clear the whole debt. He points out he'd enough money in his account to pay the whole sum if they'd not agreed. He says he heard no more from AGL until 2016 so had assumed the account was settled.

In 2016 Mr M was offered a sum in compensation by Bank 2 in relation to a Payment Break Plan (PBP). Before paying the compensation Bank 2 deducted the balance it says was owed on the account and this was credited to AGL. Mr M asked AGL to repay this as he says the payment he'd made in 2007 should've cleared the account. He wants to know why AGL didn't contact him since 2007 if he still owed them money. When AGL refused to repay him he complained to us.

The adjudicator who looked into this matter didn't think Mr M's complaint should be upheld. He'd seen statements from Bank 2 and AGL which showed the debt was still owed. He noted that AGL had decided not to try to collect it after 2011 but it remained unpaid. Mr M wasn't able to produce a letter or other evidence showing an agreement to clear the account balance by way of a reduced amount. So the adjudicator didn't think he could conclude the account had been settled. He said AGL were entitled to use part of the PBP repayment to pay the remaining balance. So he didn't ask them to do anything.

Mr M didn't agree with the adjudicator's view. So his complaint's been passed to me to review and issue a final decision on.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The facts in this case, with one exception are not in dispute. In 2007 Mr M made a payment that left just over £650 still owing. Whilst Mr M recalls he'd an agreement that the payment was in final settlement he hasn't been able to produce a letter or anything else to support this. Bank 2 and AGL can't find anything either. It's clear that Mr M had enough money in the account the lump sum came from to clear the whole debt - so that could support his view there was an agreement.

As there's no written evidence I don't think it would be fair for me to conclude there was an agreement. So I find the balance remained outstanding. AGL was entitled to continue adding interest (and other charges) to the amount owed.

In 2011 AGL decided the remaining balance was uncollectable at that time. This explains why Mr M had no contact from AGL between 2011 and 2016. As businesses don't generally keep records for more than six years I can't say if or why there was no contact with him before 2011.

Nothing happened on the account until 2016 when Bank 2 agreed to offer Mr M repayment of sums paid on a PBP. The sum due was nearly £2,000. Before paying that sum Bank 2 deducted just less than £1,000 which was then credited to AGL. That consisted of the original debit balance and accrued interest. In his complaint, Mr M referred to a slightly different interest charge. But I've looked at AGL's records and can confirm to Mr M the amount kept by AGL is correct.

I fully understand that the reappearance of this debt will have come as a shock to Mr M - especially after this length of time. But the debt was still owed. So it's fair and reasonable for AGL to recover it from the PBP compensation.

my final decision

For the reasons I've given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 May 2017.

Stephen D Ross
ombudsman