

complaint

Mr M complains that The Funding Corporation Limited (FCL) didn't handle his debt properly and left a default marker on his credit file after it had expired.

background

Mr M took out an unsecured loan with FCL in March 2005. He says he had an accident which left him unable to find work and so fell into arrears. FCL sold the outstanding debt of £7,845 to another company I'll call C in 2006. It was defaulted on 29 March 2007. Mr M made regular payments of £30 to C and in 2016 was told he had paid off his debt and was refunded £30.

In late 2015 FCL identified that Mr M may have been mis-sold payment protection insurance (PPI) and wrote to him. He raised a complaint and FCL sought details of the payments he had made to C. It told FCL he had paid £3,240 leaving a balance of £4,605.19.

FCL calculated the PPI refund due to Mr M and bought the debt back in December 2016 in order to offset the refund against the debt. FCL says it notified Mr M of the refund in February, but didn't hear from him until September 2017. At this point he queried the outstanding balance which he thought was too high given the payments he had been making.

Mr M had also identified that there was a marker on his credit file which he believed should have been removed after six years and queried this with FCL. FCL acknowledged this was an error and said it would remove the marker at the end of January 2018. Recently Mr M has been seeking a loan and he says his poor credit rating has prevented him from getting one.

Mr M brought his complaint to this service where it was considered by one of our investigators who recommended it be upheld. She agreed the outstanding balance was £4,605.19 against which the PPI refund should be set. At the time this was £1,061.16 reducing the sum due to £2,839.20. She noted that the default marker should have been removed in 2013, but this hadn't happened and FCL had agreed to remove it. She also said that Mr M's balance was still being reported as £7,845 and this too needed to be amended.

She didn't consider Mr M had suffered a lack of access to credit, but she thought FCL should pay him £200 for the distress and inconvenience he had suffered. Mr M agreed, but asked for confirmation from FCL of the amount he owed and that it had removed the default marker. FCL agreed, but said it needed Mr M to accept its offer of PPI redress so it could make the adjustments.

However Mr M called FCL, only to be told he owed £7,845 which left him concerned and he has asked that we formally require FCL to comply with what has been agreed. FCL explained that until Mr M confirmed his acceptance of the offer its records showed the full balance outstanding.

my findings

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

Both parties agreed with the investigator's proposals to settle this complaint and I also think they are fair and a reasonable. Part of the problem arose due to C telling Mr M his debt was clear, but he has made a separate complaint against C which has been settled recently. It is clear that the monthly payments he had been making to C hadn't cleared his debt.

The only issue for me to deal with is how FCL has handled matters. Once it realised that the PPI policy had been mis-sold it bought back the debt and wrote to Mr M to offer him a refund plus interest. He has yet to accept that offer and so FCL is unable to make a refund by setting it off against his debt.

I appreciate he has lost faith in FCL since it recently told him he owed £7,845. That was unfortunate and a reflection of FCL's internal accounting system, but the call handler should have realised that that figure was wrong.

The reality is that Mr M owes much less, but he needs to let FCL have his acceptance form for the PPI refund in order to let it offset that money against his loan. He should then talk to FCL about entering into an arrangement to repay the balance. I would expect FCL to work with Mr M positively and sympathetically in helping him resolve his financial difficulties.

If it hasn't already done so it should remove any default markers on Mr M's credit file and update the sum owed. It should confirm to him in writing it has done so. Mr M should be aware that these things take time to work through the system.

Given the additional distress caused to Mr M by the recent call I believe the compensation should be £225.

Mr M has asked why the PPI policy didn't pay out when he suffered his accident. However, I note from his letter to FCL dated 9 December 2015 he complains that the PPI policy covers only death and not other circumstances such as unemployment or illness or an accident. I also note that FCL's records show that he took the loan out after he had suffered his accident. This would appear to answer his question.

In conclusion, subject to Mr M confirming his acceptance of the PPI refund FCL should:

- offset the refund against the £4,605.19 and let Mr M know the new balance,
- notify the credit reference agencies that the default marker is to be removed and of the new balance. This should be done without delay if it hasn't already happened. FCL should confirm it has done so in writing to Mr M,
- pay him compensation of £225 direct.

my final decision

My final decision is that I uphold this complaint and I direct The Funding Corporation Limited to remedy the situation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before **4 May 2018**.

Ivor Graham
ombudsman