

complaint

Mr W complains that Arrow Global Limited, ("AGL"), has unfairly instructed three debt collectors to seek repayment from him of three debts.

background

Mr W had three debts with a bank ("B"). These were for a loan, an overdraft and a credit card. He had entered into a debt management plan ("DMP") with a debt management provider, ("P"), in November 2009 in which he'd agreed to make one monthly payment of £25 to P. P had agreed with B to make separate payments to each of the three debts from the £25, which were proportionate to the size of each debt. These separate payments were paid by P to the respective debt collection companies acting for B. B then sold the three debts to a debt purchase company ("C") in 2013. Mr W cancelled the DMP in December 2014, after which Mr W made his £25 monthly payment to one of the debt collection companies. This meant that only one of his three debts was being repaid at any time. C sold the three accounts to AGL in June 2015.

At that time, AGL used one debt collection company to manage each of the three debts. AGL wrote to Mr W in July 2015 to tell him that it had bought the debts and provided him with the name of the debt collection company he should contact with regard to payment of each of the debts. Subsequently, AGL appointed other debt collection companies to manage the debts. When the debt collection companies wrote to Mr W, it was clear from their letters which of the debts they were collecting. But, it seems that Mr W thought that each company was collecting all three debts and, on occasion, changed the destination of his £25 monthly payment. This meant that only one of the debts was receiving contributions, and the others fell into arrear. This resulted in the debt collection companies pursuing Mr W for payment.

Mr W believes that he had an agreement with B to make one payment only to one creditor, and for it then to be divided into three parts for each of the three debts. He said that AGL wasn't sticking to the agreement. He thinks that AGL should split the one monthly payment of £25 between each of the three debts.

The adjudicator didn't recommend that the complaint should be upheld. He explained that the debt collectors weren't obliged to split the payments on Mr W's behalf, although when Mr W had a DMP, P did this for him. The adjudicator also said that Mr W should have ensured that he was making repayments to each of his debts. Because he wasn't, he was being chased for repayments. The adjudicator noted that Mr W was unwilling to provide information to the debt collectors. So, he couldn't say that AGL was acting unreasonably.

Mr W disagreed and responded to say that AGL didn't have the right to unilaterally vary the agreement he had with B to make the one payment. He also said that it was AGL's responsibility to say how much should be paid into each debt.

my findings

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

Whilst Mr W had a DMP, I note from the correspondence Mr W has sent us, that when P received each monthly payment of £25 from him, it then made three separate payments to the different debt collection companies collecting the three debts. It appears that the

payment amounts were proportional to the size of each debt which is the normal process. The three payments were:-

£20.54 to the loan (AGL refers to this as an overdraft, but Mr W says it was a loan)
£1.07 to the overdraft
£3.39 to the credit card

I think that Mr W believes that his agreed payment arrangement was to pay £25 each month to his creditor, and the creditor would sort out the allocation to each of the three debts. But it's clear from P's correspondence that the agreement reached with B was for P to make the three separate payments shown above. But, after Mr W cancelled the DMP, he didn't make the three proportionate payments, and continued to make one payment of £25, believing incorrectly that it was the responsibility of the creditor to divide the payments up. I think it would have been reasonable for him to continue these three separate payments himself. I can see that P had told Mr W about the amount of each payment and its destination in a letter dated May 2013. So, I think that Mr W should have reasonably been aware of these details. But, as he didn't make payments to each of the debts, he has received numerous debt collection requests which have resulted in this complaint. I can't see that it would be reasonable for me to hold AGL responsible for this.

I also note from AGL's account documents that it doesn't have a record of Mr W's DMP. So, I can't conclude that it should have known about the payment arrangement.

I also note that when AGL bought the debt in 2015, it correctly sent notices of assignment to Mr W. It also gave him the name of its debt collection company to contact. At the time one company was dealing with all three debts. AGL suggested in its letter that Mr W should contact that company with regard to his payments. I think that if Mr W had done so at the time and explained about the proportionate payments to each of the three debts, that this matter could have been resolved then. Because he didn't have a constructive conversation about the debts and instead paid one payment which was only allocated to one of the debts, he has been pursued for payment of the other two.

I can also see that the debt collection companies have correctly suggested that Mr W complete an income and expenditure form so that they could assess if his payments were affordable and sustainable. I understand that this is normal practice and I can't say that the debt collection companies have acted unreasonably on AGL's behalf in requesting these. I note that Mr W has refused to complete these forms which I can see hasn't helped his position.

I also note that the debt collection companies' letters have suggested that Mr W contact a free debt advice agency (including Citizens' Advice). I think this would be sensible and practical. Such agencies would be able to assist Mr W with the completion of an income and expenditure form, and could help with a new debt management plan, with no fees required from Mr W.

I can see that AGL normally outsources debt collection to third parties. This isn't unusual. I also note that in December 2016, AGL recalled the three debts from the third parties, although Mr W has sent us correspondence to show that this is no longer the case. Whilst I cannot interfere with AGL's processes, I can see that it would be sensible for one party to deal with the three debts until an arrangement can be reached.

I note that Mr W has kept up his payments of £25 since 2009, although they have been made to different companies for the reasons outlined above. I note that Mr W has referred to having limited funds and no savings. So, if Mr W is in financial difficulties and is unable to meet the payments due on the debts, I would urge him to contact AGL to discuss this. A free debt advice agency could help with this. I would remind AGL of its duty to treat cases of financial difficulty positively and sympathetically.

I have considerable sympathy for Mr W's situation. And I appreciate Mr W will be very disappointed with the decision I have come to here. But, for the reasons explained above, I can't see that AGL has acted inappropriately and I don't think I can uphold this complaint.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 May 2017.

Roslyn Rawson
ombudsman