

complaint

Mr B has complained an account was fraudulently opened with Next Retail Limited (trading as Next Directory) using Mr B's details. This affected his credit rating and caused considerable stress.

background

An unknown person opened a Next Directory account in Mr B's name. The first time Mr B was aware of the fraud was when he received a letter from a debt collection agency.

Mr B and his wife contacted Next and the agency to tell them it wasn't their debt. They were very worried and not all of their messages were replied to. And they had to explain the problem over and over again. They were told by Next it could take 3 months to correct Mr B's credit record. This caused a lot of anxiety as they were applying for a mortgage. Mr B wants compensation for the stress he suffered. Because he felt Next were taking too long to resolve things he contacted us.

Our adjudicator looked at what had happened. Next had confirmed the debt was due to fraud and taken it back from agency. It told Mr B it would advise the credit reference agencies to remove the default. Although this can take up to three months, it tried to do it quickly as it knew Mr B was buying a house.

The initial delay was caused by the time it took the debt agency to return the debt to Next. And Next did act quickly to clear the default from Mr B's records. But our adjudicator said Next could've handled things better. It hadn't kept Mr B informed when it should have. So she recommended Next pay £150 compensation to Mr B for the distress he'd suffered.

Mr B wasn't happy with the amount. He said Next was totally to blame for the situation. It didn't carry out proper checks when the person opened the account in his name. Mr B and his wife had suffered a lot of stress. And hair loss treatments had already cost over £400. So he wanted Next to pay more.

I made a provision decision on 20 March 2017 explaining that I intended to uphold the complaint. I recognised the stress Mr B must've experienced when a debt was incorrectly put against his name. I could see Mr B and his wife made every effort to contact Next and the debt agency to resolve the situation. And the stress was increased because they had to keep explaining the situation. And Next didn't always respond to their messages.

Next acknowledged it could've done things better. But it said it couldn't be held solely responsible for the problem. The fraud was committed by someone else. And proper procedures were followed when the account was opened. Once it recovered the debt, it acted quickly and the error was removed from Mr B's file. Although Next recognises how this may have affected Mr B and his wife, it tried to put matters right as quickly as possible.

I looked carefully at what had happened. Although Next said that all the normal procedures were followed, an unknown person was still able to create a considerable debt in Mr B's name without his knowledge. Once Next became aware of the problem they did resolve the issue quickly. And I couldn't find Next wholly responsible for the matter. The fraud against Mr B was committed by someone else.

So I couldn't ask Next to cover all of Mr B's costs. But I could ask it to pay compensation for the time and stress he'd suffered. Taking everything into account, I thought Next should pay £250 compensation to Mr B.

responses to my provisional decision

Mr B clarified that it was he who suffered hair loss and worsening asthma. He wants all of his costs paying for.

Next apologised to Mr B for the upset caused. Both by the debt being incurred against his name and the poor service he and his wife received when they first contacted it. And Next confirmed that, although it had said it might take up to three months for the debt to be removed from Mr B's credit files, it had managed to get it done within 23 days of being informed of the fraud.

my findings

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

I've carefully thought about Mr B's comments. I can see how stressful and worrying it must have been for Mr B. But I still feel £250 compensation is the right amount.

Next has acknowledged its mistakes and agrees it should compensate Mr B for his distress and inconvenience. But I can't hold it totally to blame for what has happened. Someone else committed a fraud in Mr B's name. Next, and other companies, have a lot of procedures to try and stop people opening fraudulent accounts. But sometimes it happens. And I'm sure Next will look at what happened and try and improve things.

Our role is to investigate when mistakes happen and see what can be done to put things right. We can recommend compensation for any losses or suffering. But we must be fair and reasonable. And I don't think, given everything I've seen, that it's fair to say Next is completely responsible. If an unknown person hadn't committed the fraud, Mr B wouldn't have experienced any problems. So I can't ask Next to cover all of Mr B's costs. That wouldn't be fair.

But I can look at the evidence to see what would be reasonable compensation for Mr B's distress. I can see Next put things right quickly once it recovered the debt. But it didn't handle the complaint very well at the beginning. It didn't keep Mr B and his wife informed and they had to keep asking what was happening.

Taking everything into account, including the level of awards we make, I think £250 is fair and reasonable compensation.

my final decision

My final decision is to instruct Next Retail Limited to pay compensation of £250 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 June 2017.

Andrew Mason
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