

The complaint

Mrs L has complained about Cabot Credit Management Group Limited recording a default on her credit file.

What happened

This complaint surrounds a credit card account which defaulted in 2017 and then was sold to Cabot.

At first, Mrs L did not make payments to Cabot, so in 2018 Cabot got a County Court Judgement (CCJ) against her. The legal costs were added to her outstanding balance.

Mrs L then did make some payments over the years. She feels that because of this, Cabot should stop reporting the default on her credit file and should instead record that she was in an arrangement to pay. She also feels the balance should not have increased. She asked for the account to be removed from her credit file and for compensation.

Our investigator looked into things independently and didn't uphold the complaint. Mrs L didn't agree, so the complaint's been passed to me to decide.

What I've decided – and why

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

When Cabot bought the debt, they became responsible for reporting it on Mrs L's credit file. Because they're a separate company to the original lender, their entry shows up separately. But it is the same account as before. And because the account had already defaulted before Cabot bought it, and Cabot are required to report the account's actual status, it's correct that they show it as having defaulted. The account continued to be in default even after Cabot bought it – a debt being sold on does not undo the default.

I understand why Mrs L thought an Arrangement to Pay marker would be more appropriate, but I'm afraid she is mistaken. An Arrangement to Pay marker is only relevant for accounts which have not defaulted. As Mrs L's account did default, it can't have an arrangement marker – the default marker was instead the correct one.

So I hope I can reassure Mrs L that Cabot have been reporting this correctly on her credit file – they were supposed to continue reporting the default.

If Mrs L is unhappy that the account defaulted in the first place, she would need to raise that with the original lender rather than Cabot, as it was the original lender who defaulted the account in the first place. Cabot just continued to report this default, as they were meant to.

I also understand that Mrs L was confused about why the balance had increased with Cabot when she'd made some payments over the years. That's because when Cabot got a CCJ, the costs of doing that were added onto Mrs L's balance, which is normal. Those costs were higher than the amounts Mrs L has since paid. Cabot have provided a transaction history which shows how the balance got to what it is now. If Mrs L wishes to dispute the costs of the CCJ, she'd need to raise that with the court, as our service is not allowed to make decisions about things which have already been determined by a court, and we don't have the power to overturn court decisions.

Lastly, I will note that defaults only stay on one's credit file for six years. And this account defaulted in 2017. So it may have even disappeared from Mrs L's credit file already.

My final decision

For the reasons I've explained, I don't uphold Mrs L's complaint in this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 30 October 2023.

Adam Charles
Ombudsman