

## **The complaint**

Miss R complains Credit Resource Solutions Ltd (CRS) have incorrectly distributed payments from her debt management plan (DMP). She says this led to CRS incorrectly defaulting a short-term loan account.

## **What happened**

The information I have shows Miss R entered into the DMP for a loan account from 1 September 2019 with a debt charity. This loan was originally taken out with a company I'll refer to as LS but was later sold to CRS. Miss R had two loan accounts from LS managed by CRS, but only one of those was defaulted.

Miss R says when the account was sold, her repayments changed from £5 to £1 when this wasn't the agreement. Miss R says CRS tell her this is the agreement they have with the debt charity, but when asked CRS couldn't provide a copy of the agreement. Miss R also says she called up as the balance should have been around £50 but it looked higher. When calling CRS, she was told they couldn't find the account. She says she was later told they'd found the account, but the account number had changed which is why they couldn't find it the first time she'd called. Miss R said she'd wanted to pay off the balance, so it wasn't fair they hadn't let her, and then defaulted the account.

Unhappy with CRS' responses, Miss R asked us to look into things. As part of our standard process, we asked CRS for their file.

CRS said sorry for the way the call was handled on 14 March 2023, and when payments are received they're split across both accounts. CRS also mentioned accounts they'd taken on with other providers, but these aren't relevant so I've not commented on them further.

Our Investigator ultimately upheld the case, and recommended CRS remove the default, and pay Miss R £250 compensation.

Miss R accepted this outcome, but CRS didn't. They said:

- They're the legal owners of the debt, so are within their rights to report a default
- The information on Miss R's credit file is accurate
- CRS received payments under one reference from the debt charity – and it's standard practice to split payments in a way that the accounts would be closed at the same time
- CRS couldn't see any request to split the payments in the way Miss R has now suggested, and even if this was done, she'd still have the overall outstanding balance

Because an agreement couldn't be reached, 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.

From what I can see, Miss R's understanding of what's happened is that, because of the change in amount of the payments allocated to each loan, CRS have defaulted one of them.

CRS say the amount they receive was all received under one reference, they weren't told about an agreement for payments to be split amongst different accounts, so they've not done anything wrong. CRS have also told us they receive this payment separated out into different amounts for the two accounts – so CRS has been inconsistent with what they've told us about how the payments are distributed.

I've also noted CRS told us they didn't record the default – but after further investigation have then accepted they did.

And, despite asking them when they applied the default – they couldn't tell our service this. We also asked them to tell us what prompted them to apply the default – to which they said “*CRS have issued a default using the information provided to them by LS...*”. Which doesn't answer the question as it provides no detail about what prompted CRS to actually take that action. CRS have also provided no evidence of the information provided to them by LS to determine what actually happened.

The accounts were assigned to CRS in December 2022. So, I'm satisfied for any issues that occurred after this date it's appropriate to hold CRS responsible.

There are three issues at hand which all occurred with CRS after December 2022:

- The information provided to Miss R on the phone
- The way CRS have been assigning the payments
- The application of the default

#### *The information provided to Miss R on the phone*

Miss R has been clear and consistent in saying the reason for the call was to pay off the smaller debt because it was such a small amount. I've seen nothing from CRS to dispute this, so I assume they accept this was her intention.

CRS have accepted the agent gave Miss R the wrong information by explaining they couldn't find the account so assumed it'd been paid off.

So, I uphold this element of Miss R's complaint.

#### *The way CRS have been assigning the payments*

Our Investigator felt CRS had been assigning them incorrectly – which is something Miss R has also raised with CRS on multiple occasions according to her.

CRS have, as I've mentioned above, given two different versions of what happened. The first is that payments come to them bundled together – so they proportionally split them to pay off the two accounts Miss R has with LS.

The other explanation is the payments come separately for the two accounts, and they just apply those payments to the accounts as they're received.

My understanding is the second way is how things should be done – because Miss R has a debt management plan which has assigned specific amounts to each account.

Miss R has provided a statement from her DMP showing the two payments being made separately. So, I accept her assertion the payments should be applied separately. And, the payments to the accounts by CRS have been applied differently to the payments in the DMP statement.

So, in the absence of any other information, I can only reasonably conclude CRS have made an error in distributing the payments.

### *The application of the default*

When the complaint was first brought to our service CRS were adamant they weren't responsible for applying the default. As I've noted above, subsequent investigation has shown this information was wrong.

We have asked CRS to provide specific information about when they applied the default – and what prompted them to do so – neither of which they've properly answered in my opinion.

So, given I'm satisfied CRS have applied the payments differently to the DMP – and the DMP had been successfully running for several years before they took over the account without it being defaulted – it seems unfair to default the account whenever CRS did.

### *Summary*

From the initial call Miss R made to tell CRS they were distributing her payments correctly, where she was given wrong information, to the complaint she raised where she was again given wrong information, I don't think CRS have handled things well.

I'm not fully satisfied CRS ever got to grips with Miss R's complaint before she brought it to us, and I think that's caused her a significant amount of frustration.

On top of that, I also think the default has been applied unfairly. I think had CRS listened to Miss R they'd have corrected the problem with the distribution of payments which from everything I have seen would, more likely than not, have prevented the application of the default.

Adding the default has also caused Miss R distress. She's contacted CRS to try and resolve the issue they've caused, and unfortunately she wasn't listened to – so in total I agree with the amount our Investigator recommended of £250.

### **My final decision**

For the reasons I've explained above I uphold this complaint and require Credit Resource Solutions Ltd to:

- Remove the default they've recorded against Miss R's account
- Pay her £250 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 26 July 2024.

Jon Pearce  
**Ombudsman**