

## The complaint

Mrs G complained that MBNA Limited (“MBNA”) wrote to her telling her that it was going to start charging her interest on her outstanding credit card balance. She says MBNA had previously agreed that it would not charge interest for the life of the balance.

## What happened

Mrs G had a credit card with MBNA with a large outstanding balance. Most of what she owed were balance and money transfers benefiting from a promotional 0% interest rate. This was due to end in mid 2018.

Mrs G contacted MBNA because she would struggle to pay off the debt when the promotional rate ended. MBNA said it would give her “*breathing space*” and waive fees and interest for 30 days. But it couldn’t agree anything more permanent until Mrs G gave them information about her income and expenditure. MBNA gave Mrs G another couple of periods of breathing space, which she used to look at her finances herself to see if she could make any savings.

About three months later, Mrs G completed an income and expenditure questionnaire. This showed she couldn’t afford her minimum payment. MBNA said this meant she was in financial difficulty, so it would stop applying interest to the account.

MBNA explained to Mrs G that it would reduce her monthly direct debit to the amount its questionnaire showed she could afford, but the minimum payment was still due. So Mrs G’s account could fall into arrears and might default after a few months. Mrs G didn’t want this because she didn’t want anything negative on her credit file. She asked MBNA if she could pay extra on top of the direct debit. MBNA said she could, but it had to be an extra payment as its system couldn’t change the direct debit to more than the questionnaire showed she could afford. MBNA also said she shouldn’t do this if it left her short of money to pay for essentials.

In the following months, MBNA took a direct debit payment for the amount it said Mrs G could afford and Mrs G made an extra payment to make this up to the minimum amount due. MBNA wasn’t charging interest, so all the money paid went towards reducing Mrs G’s debt.

In March 2019, MBNA reduced Mrs G’s minimum payment. This made it lower than the amount MBNA had worked out she could afford to pay. Mrs G phoned MBNA to check the figures were right. She was told they were.

After two months, MBNA wrote to Mrs G. It said that, as she had made two monthly payments required by the terms and conditions, it was confident she could meet future payments. So in two months’ time, it would start charging interest again.

Mrs G complained to MBNA about this. She said that she contacted MBNA about her financial difficulties because she wanted to sort them out and pay off what she owed as soon as possible. She had asked the MBNA staff she spoke to how long interest would be

suspended, and says she was told it would be for the life of the balance. She had relied on this when organising her finances and it was unfair of MBNA to now change its position.

MBNA considered Mrs G's complaint. It said that it can't waive interest and charges indefinitely when an account is up to date and that it had given Mrs G two months' notice of the change; this would give her time to decide what to do.

Mrs G wasn't happy with MBNA's response so she complained to us. Our investigator looked at the evidence and decided that MBNA could have been clearer when it spoke and wrote to Mrs G. But it had given her the benefit of interest-free payments. And MBNA had treated her fairly, taking steps that were positive and sympathetic when she contacted it about her financial difficulties. So she didn't think MBNA needed to do anything else.

Mrs G wasn't satisfied with the investigator's view. So the complaint's been passed to me to make a decision.

### **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.

It's clear to me that Mrs G wanted to deal with her debts and work with MBNA to do that. That's why she contacted it when she realised she was going to struggle to make payments. Under the relevant regulations (CONC 7.3), when they're contacted, businesses like MBNA should deal fairly with customers in financial difficulty.

I've listened to a number of the calls and I think that MBNA did treat Mrs G fairly. It listened to what was worrying her, told her what it could do, explained how that would affect her and provided details of other bodies which could help her. MBNA stopped charging the interest it was usually entitled to because she was in financial difficulty.

Mrs G says she was told MBNA wouldn't charge interest for the lifetime of the balance. I haven't found that phrase in any of the calls or letters, although some balance transfer offers use such language. Mrs G was told that the arrangement would be in place for as long as she needed it. I can understand why Mrs G felt it would assist her for the arrangement to stay in place; she wanted to reduce her debt and not paying interest was helping her do that. I haven't seen anything that shows MBNA expressly told her that it might decide she wasn't in financial difficulty any more, or what it may do if it made that decision.

MBNA's letter setting out the arrangement includes the following wording:

*"We are pleased to let you know that while you are in financial difficulties, although the amount shown on your statement will continue to be due, you may make the payment amount of £266.00 per month, in line with the amount you've demonstrated you can afford to pay. In addition, we have reduced your interest rate to 0% per annum...and will waive all future late, overlimit and returned payment charges (where applicable) during this time."*

That doesn't give a specific term for the arrangement. But it does indicate that the concession would apply only during the period that Mrs G was in financial difficulty, rather than for as long as it took her to repay the balance.

It's clear MBNA was monitoring Mrs G's financial position because it wrote to her in April 2019. The letter tells Mrs G that MBNA thinks her financial difficulty is over and how it's decided that. And it says that it'll look at the position again if Mrs G thinks its decision (to

start charging interest again) will put her back into financial difficulty. It gave her two months to notice, so she had time to contact MBNA. I think that's fair.

Mrs G called MBNA after she got the letter. But, when MBNA said that it could look at the matter again if its decision was going to put her back into financial difficulty, she didn't say it would. She was upset that a large part of her new payment would be for interest and not used to reduce her debt.

My decision has to be fair to both sides. So I need to balance what MBNA did wrong – it didn't expressly say it would review her financial situation and that might lead to a change in how her payments were used - against what it has done to help and support Mrs G.

Mrs G wants to repay her loan without any interest being added to what she owes. But I don't think this is a fair outcome. When she used the card, Mrs G would have known she would pay interest if she didn't pay the balance in full every month.

Mrs G's financial difficulties started at a very traumatic time in her life; I can only begin to understand the impact that had on her and her family. But MBNA did help her when she told it about this. MBNA waived interest, explained to her what triggers entries on her credit file and how to avoid this. It also made clear to her that it wouldn't make her cut back on other expenses (even if Mrs G chose to do that).

When MBNA started to charge interest again, Mrs G didn't say she couldn't afford to pay the higher amount; she was upset that not all her payment would go towards reducing her balance. So it will take longer to pay off the debt. I can understand that's frustrating. But it's how borrowing on a credit card generally works.

MBNA gave Mrs G several periods of breathing space when she paid no interest, agreed with her to use all of her payment to reduce the debt when she was in financial difficulties, gave her two months' notice that it was going to start charging interest again when she was back on track and explained again it would look at this again if this would put her back into financial difficulties. I know Mrs G will be disappointed but, taking all of this into account, I don't think MBNA needs to do anything else to compensate her.

### **My final decision**

For the reasons I've given I don't uphold Mrs G's complaint about MBNA Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 6 May 2020.

Helen Stacey  
**Ombudsman**