

The complaint

Mr G complains that a default was applied to his credit card account after he had been told this wouldn't happen when he set up a payment plan. Mr G has a Virgin Money credit card which is now part of Clydesdale Bank Plc and so the business in this complaint is referred to as Clydesdale.

What happened

Mr G was experiencing some financial difficulties and contacted Clydesdale to discuss a payment plan. A plan was agreed and he says he was told that if he maintained this his account wouldn't default. Mr G says he made the payments as agreed but his account was defaulted.

Clydesdale says that Mr G was placed on a hardship plan on 29 April 2019. It says this is an informal arrangement that meant interest and fees were frozen and that a letter confirming the details of the plan was sent on 30 April. It says the letter confirmed Mr G should pay what he could afford but that the minimum payment amounts were still the due amounts. It says on the call Mr G was told his account was 105 days in arrears and that if it reached 180 days it would be passed to a third party. It issued a default notice on 15 June 2019 setting out what needed to be paid by 13 July. As this payment wasn't made the account was charged off on 15 July.

Clydesdale did accept that Mr G had been provided with some incorrect information on the call on 29 April and offered to pay him £100 compensation.

Mr G didn't think that the offer made by Clydesdale was enough to reflect the fact his credit file would be affected for six years by the default and so he referred his complaint to this service.

Our investigator accepted that Mr G had been provided with correct information on 29 April 2019 when he set up a payment plan. However, he thought that had the correct information been provided the account would still have defaulted due to Mr G not being able to afford the payments needed to prevent the arrears from increasing. Therefore, he didn't require Clydesdale to remove the default from Mr G's credit file. Instead he recommended that Mr G be paid a total of £250 compensation for being provided with incorrect information on the call.

Clydesdale agreed to the increase in compensation to £250. Mr G said that it had been shown he was given incorrect advice which meant he believed his account wouldn't default while on the payment plan and that had he been given the correct advice he would have been able to make the payments required to stop this happening. He said that the income and expenditure assessment wasn't accurate and instead was worked to ensure an agreement was made. He said that the default happened because of the incorrect information he was given and should therefore be removed from his credit file.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Mr G entered into a credit card agreement in 2015 and in doing so agreed to the terms and conditions. These included the need to make the minimum monthly payments. The terms set out the consequences of these not being made.

Mr G had been assigned breathing space on his account and was sent copies of income and expenditure forms to complete. Mr G hadn't returned these and a call took place on 29 April when an income and expenditure was carried out. After the information was gathered he was asked how much he could afford to pay. Mr G said that he should be able to pay up to £100 a month and after further discussion it was thought £80 a month would be a comfortable repayment amount. This was an amount less than the monthly minimum payments due on his account.

The adviser checked the options available to Mr G and confirmed that an informal hardship plan could be put in place. It was explained that Mr G should pay what he could afford each month and that interest and charges would be frozen, so his payments reduced his balance.

A discussion took place about the amounts to pay and Mr G said he wanted to avoid a default. It was agreed that he would make a payment of £50 that day and then £80 on 20th of each month. He was then told that if he made these payments his account wouldn't reach the level of arrears that would trigger a default. Based on this call I think Mr G should have been aware that he was on an informal arrangement and that if the arrears increased on his account to a certain level then a default could be applied. However, I also think it reasonable that he thought by making a payment of £50 at that time followed by £80 a month his arrears wouldn't increase, and he would avoid a default.

Mr G was told that he would receive a letter about the plan that had been set up. I accept that this letter was sent. The letter set out the details of the payment plan and stated that the amount Mr G was able to pay wasn't enough for a formal payment arrangement and Mr G would be required to make his minimum payments and that if his arrears continued to increase then this may lead to a default. Mr G said he didn't receive this letter. Mr G could have chased this as he was told he would receive a letter, but I accept he felt he had the information he needed following the call.

Mr G made a £50 payment on 29 April and said he would set up a standing order for the monthly payments. The May 2019 payment wasn't made. I understand this was due to an issue with the payment reference however I have nothing to show that Mr G made contact about the issue at that time and it appears that a payment wasn't made until 20 June. Given this it seems that Mr G hadn't kept to the agreed plan and I don't find it unreasonable that further action was taken.

A default letter was sent to Mr G dated 15 June 2019. Mr G was told on the call on 29 April that he might receive arrears letters while on the plan and to ignore these. However, this was a default notice and I think it reasonable that Mr G would have taken notice of this. The default notice set out the payment that was needed to be made by 13 July and what would happen if this wasn't made.

A call took place on 20 June on which Mr G made his monthly payment. Mr G was told the arrears on his account had increased and that his account was in the process of being charged off. While I appreciate Mr G thought, based on the April call, that an agreement was

in place that would stop further action being taken, I also note that he was also told on the April call that if the arrears went above 180 days his account could be transferred. Mr G was asked if he had received a letter about this, but Mr G just reiterated his understanding that the account was in a payment plan.

While I appreciate that Mr G had understood following the April call that this payment would be enough to prevent the arrears reaching a level at which further action would be taken, he had missed the May payment and was given the information he needed about his arrears on the 20 June call. Mr G said he would call back but I cannot see that he did this until after the account had been terminated. I also think at this time he would have realised there was an issue on his account and had he not taken notice of the default letter previously, would have done so at this point. Therefore, while Mr G was given misleading information in April 2019, I find that this was corrected before the default was applied.

I have also considered what would have happened if the correct information had been provided in the April call. I understand Mr G's comments about being able to make the minimum payments due but had that been the case I find it reasonable that his account would not have been in arrears when he made the call. He also made it clear on the call that he couldn't afford more than £100 and as this was less than the minimum monthly amount I find it reasonable to accept that he wouldn't have been able to avoid the arrears increasing on his account had the correct information been provided.

Overall while I can understand why Mr G is upset by the actions taken, I think he was provided with the information he needed before the account was defaulted. He didn't make the May 2019 payment, and, on balance, I do not find that Mr G had the funds available to prevent the arrears increasing. Therefore, I find that the default recorded was a true reflection of the status on Mr G's account and I do not require Clydesdale to remove this.

Mr G was clearly provided with incorrect information the April 2019 call. This meant that when he called on 20 June he was upset and surprised by the information he received. I accept this would have been distressing and think he should be compensated for this. I think the £250 that has been recommended is reasonable.

My final decision

My final decision is that Clydesdale Bank Plc should pay Mr G compensation of £250 as it has agreed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 December 2020.

Jane Archer
Ombudsman