

The complaint

Mrs M complains that Barclays Bank UK PLC delayed registering a default on a loan she held.

What happened

In 2011 Mrs M took out a loan with Barclays. Unfortunately, Mrs M started to struggle financially and in 2013 she entered into a debt management plan (DMP). The debt management company sent letters to Barclays to let it know about the DMP and that the repayments for the loan would be reduced. A default was applied to the loan account.

However, Mrs M recently checked her credit file when applying for a mortgage and found that the default was still showing. She contacted Barclays as she said this should have been removed in 2019 (six years after she entered into the DMP) and asked for it to be removed. However, Barclays refused so Mrs M made a complaint.

Barclays said it didn't receive any letters from the debt management company and that the loan repayments were being made in full until late 2014 – so it had no reason to register any adverse information on her credit file. It says it was only in 2015 that it became aware Mrs M was in a debt plan which is when it applied the default to her account. So, it didn't think it had done anything wrong.

Mrs M disagreed. She said she had been paying a lower amount for the loan to the debt management company since 2013 and provided information to show this was the case. So, she brought the complaint to our service.

Our investigator looked into the matter but didn't agree that Barclays had to do anything more. She discovered that the debt management company had sent the letters to an old address and so this is why they weren't received by Barclays. And even though Mrs M was only paying the lower amount to the debt management company, it was transferring these funds into a Barclays account where excess funds were available to make the repayments in full until 2014. So, she found that Barclays had no reason to apply a default to the account any earlier. Our investigator also discovered that Barclays only became aware of the DMP when it received an emailed copy of the letters from the debt management company in 2015 - at this point it sent the default notice and applied the default soon after.

Mrs M remained unhappy with this outcome and requested an ombudsman's decision, so the complaint has 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 a default is applied to someone's credit history, it can have quite significant financial implications, including restricting the ability to take out any additional credit for the time it remains live. So, I can appreciate Mrs M's concerns in relation to when the default was

recorded against her – especially as she has told us she was looking to apply for a mortgage. What I need to consider is whether Barclays should have applied this default in 2013.

Mrs M has provided us with copies of several letters which were issued by her debt management company to Barclays. These confirm that she was entering into a DMP and that she would be paying a reduced sum for the loan. However, Barclays has told us it never received these letters. It has said that these letters were sent to an old address which is why they were not received. This seems like a reasonable explanation and I'm satisfied that this is why Barclays didn't receive the letters in 2013 and 2014.

A default is usually only applied to an account when there has been missed payments, meaning the account is in arrears. The Information Commissioner's Office (ICO) refers to this occurring usually after three months of arrears as a general guide, and normally by the time you are six months in arrears.

When Mrs M first entered into the DMP, she believed she was now paying a reduced amount for her loan. She has shown us documentation that supports the lower sum was being paid by her to the debt management company in order for them to facilitate the payment with Barclays. However, this company was placing the funds into an account she still held with Barclays, which contained a small balance. The direct debit for her full loan payment was being taken from this account, using the balance left in the account to make up the difference. It appears that, even though Mrs M may have thought she was only paying a reduced sum, she was actually still paying the full loan repayment up until 2014 when the remaining balance in this account had been depleted.

As Barclays didn't receive any of the letters, it would have had no reason to know that Mrs M was in any financial difficulty until her account started to go into arrears towards the end of 2014. And as per the ICO guidelines, any default would usually only be applied once the arrears had continued for a number of months. Barclays did receive an email from the debt management company in early 2015 to advise of the DMP and at this point it issued the default notice. So, I'm not persuaded that it could have considered applying the default before this time.

Taking everything into account, I'm satisfied that Barclays wouldn't have been able to apply the default any earlier than it did – so it doesn't need to change the date this has been applied or remove the default any earlier.

My final decision

I'm sorry to disappoint Mrs M but for the reasons I've stated above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 19 January 2021.

Jenny Giles
Ombudsman