

The complaint

Mr L is unhappy as MBNA Limited have placed a default on his credit file relating to a credit card account.

What happened

Mr L suffered financial difficulty due to a change in occupation. This resulted in the minimum payment for his MBNA credit cards not being met.

In terms of this credit card, Mr L and MBNA agreed on a call in November 2017 that Mr L could afford £53 per month for his repayments. Interest would be reduced to 0% and any fees (such as late payment or returned payment fees) would be stopped. He was informed that the repayment would not be enough to prevent a default happening in a letter dated 13th November 2017. In a call in April 2018, when Mr L says he had received a default letter, he was asked if his income and expenditure had changed and he indicated it was roughly the same as November 2017.

The account was then recorded as defaulted on 31st July 2018 as the arrears had not been repaid.

Mr L complained about this as he said that his account was placed into default as he did not make up the arrears due to being given incorrect advice and that MBNA refused to accept payment.

MBNA accepted that their communications could have been clearer to Mr L, but have maintained that the information relating to this account was always correct and that Mr L was warned of the impact of not making up arrears on the account.

Mr L referred his complaint to this service, where our investigator looked into it. He said that Mr L was given detailed information about the arrears on this account on the call in November 2017. Mr L was told that if he fell seven months in arrears with his payments, a default would be registered.

The investigator also noted towards the end of the November 2017 call that Mr L confirms he understands what has been discussed and a new direct debit is set up for the new repayment.

Finally the Investigator noted that MBNA had not been clear in their communications with Mr L and this would have been stressful and worrying for him, so awarded Mr L £150 for the frustration has caused.

MBNA accepted this but Mr L disagreed for the same reasons he'd already given, adding that he felt there was no point in making further payments until the end of the seven month period. So the case was 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.

This service has already considered a complaint from Mr L about MBNA's actions on his other credit card with them. So my decision here will only focus on MBNA's actions in relation to this particular card.

Generally speaking, I have arrived at the same conclusions as the investigator – and for very much the same reasons. I accept MBNA weren't fully clear in their correspondence with Mr L. There were times when he was told he only had one account, when he had two accounts with them. But Mr L was told about the consequences of being in arrears and that a default would be placed on his credit file if the arrears were not made up on the November 2017 call. So while I can see why he would've been confused, I think he would still have been aware that a default would be recorded here.

In any event, I don't think Mr L would have avoided this even if MBNA had been clearer with him about his accounts. I say this because, based on the income and expenditure given on the November 2017 call (and confirmed on a April 2018 call) his financial situation was not likely to improve until June 2018. That was six months away, which suggests that he wasn't able to manage his account for a significant period of time. And by the point MBNA did finally default the account, it was over six months in arrears, which is in line with the relevant guidance that applies here.

I realise that Mr L says he didn't see the point in making extra payments during this time – but equally, as MBNA told him that a default was going to be applied – I think it's reasonable to expect that if he was able to pay more he would've contacted MBNA to say that his circumstances had changed.

With regards to the entries on his credit file, MBNA have a duty to report activity accurately to credit agencies and appear to have reported activity on this account accurately including registering defaults. I realise that'll have a significant impact on Mr L – but it wouldn't be fair for me to tell MBNA to remove information it's recorded that accurately reflects the conduct of the account.

I've also seen that the terms and conditions of the account state that MBNA may, at any time, transfer to any person or business any or all their rights and duties under the agreement. So they were entitled to sell on the debt here and to Mr L this during a call in April 2018. So I can't see anything unfair or unreasonable in MBNA taking this stance here.

Putting things right

While MBNA were entitled to take the actions they did here in relation to the account, some of their communication with Mr L could have been clearer. For example, they did on occasion say that he only had one account, when he had two. That would have been confusing and frustrating for Mr L and so it's fair that MBNA compensates him for the impact that had. Our investigator has suggested that £150 is fair in the circumstances and I agree that this is a reasonable amount. But I don't think this means that I can tell MBNA that they need to do any more here.

My final decision

My decision is that I uphold this complaint in part and require MBNA Limited to pay Mr L £150 to recognise the inconvenience he was caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or

reject my decision before 11 February 2021.

Gregory Sloanes
Ombudsman