

The complaint

Mrs C complains that The Royal Bank of Scotland Plc (“RBS”) informed her she was in persistent debt and it would close her credit card account.

What happened

Mrs C has held a credit card account with RBS since 2002. She acknowledges that she falls within the Financial Conduct Authority (‘FCA’) definition of ‘persistent debt’, but says she’s never missed a payment or paid less than the minimum payment due. In early 2020, Mrs C received a letter from RBS advising her of repayment options for her balance, but was also advised the account would be closed. She feels this approach goes against recent FCA guidance concerning persistent debt and wants RBS to allow her to repay the balance within 48 months and keep the account open.

RBS says it has given Mrs C a justified reason for making the decision to close her account. It says following an internal review, a commercial decision was made to close the account. RBS empathised with Mrs C, but said that ultimately, it didn’t make good lending sense to allow her to continue using the card, increasing the debt and incurring more interest. So RBS says it has followed its persistent debt process – and the action it’s taken is in line with the rules set out by the FCA.

Our investigator didn’t uphold the complaint. She acknowledged RBS’ obligation to lend responsibly and thought the way Mrs C was using her credit card account would have given RBS cause for concern. So she thought RBS’ decision to close the account was reasonable under the circumstances.

Mrs C didn’t agree, so the complaint has been passed to me for a final 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.

RBS says this was a commercial decision which was made in line with its terms and conditions. The terms and conditions for the account allow RBS to close the account if it has a good reason, which includes where it provides notice that it intends to do so. But it should also follow the relevant FCA rules.

The FCA introduced rules concerning customers who were in persistent debt, which included further guidance for customers who had been in persistent debt for 36 months (PD36). The FCA reminded credit card providers of the regulatory requirements relevant to persistent debt, which included that providers must:

- *“identify all consumers still in persistent debt at 36 months and help them repay their balance more quickly; and*
- *only suspend or cancel a customer’s credit card where this is objectively justified”*

The FCA's 'Dear CEO' letter of 3 February 2020 confirmed that:

"We are also concerned that some firms may be planning a 'blanket' suspension of credit cards for all their PD36 customers.

The PD rules only require the suspension or cancellation of cards where a customer:

a) does not respond to the repayment options proposed within the time specified by the firm;

b) confirms that one or more of the proposed options are affordable but that they will not make increased payments."

The FCA's rules don't say that a credit card provider can't close a customer's account if they are in persistent debt. Under the rules, a suspension or cancellation is required if the customer doesn't respond to the repayment options proposed, or refuses to make increased payments despite them being affordable. A provider can suspend or cancel a customer's credit card where this is objectively justified. So whilst a credit card provider can't suspend or cancel a customer's credit card account solely because they're in persistent debt, it can still do so if the reason for it is objectively justified.

With this in mind, RBS were required to consider its credit card customer portfolio and contact any identified PD36 customers to help them repay their balance more quickly. 'Persistent debt' is defined by the FCA as a customer who "...has paid more in interest and charges than they have repaid of their borrowing over an 18 month period." Mrs C falls into this definition, as well as the PD36 definition.

RBS wrote to Mrs C in early 2020, as required, to give her options of repaying the debt to help her repay it more quickly. So I'm satisfied RBS has done what was expected of it under the FCA rules. The issue for me to consider is whether it was fair for RBS to inform Mrs C that it would close her account as a result.

RBS took a commercial decision to inform Mrs C that her credit card account would be closed and said this was because of its obligation to lend responsibly. Having considered the circumstances of Mrs C's credit card account, I think RBS' decision was reasonable and I will explain why.

I can see that RBS sent Mrs C the notices it was required to send her at key milestones to inform her that she was in persistent debt and was likely to be a PD36 customer. This resulted in the PD36 notice being sent to her with options of repayment. I agree that the way Mrs C was operating her credit card account at the time was likely to give RBS cause for concern. The balance had steadily increased over time and was close to being at its limit. It had previously sent notices of persistent debt to her and the situation hadn't improved. Mrs C had mostly been making the minimum payments to her account and was continuing to spend on the card. From the statements I've seen, this was essentially keeping the account balance consistently just below its limit.

RBS had concerns that it wouldn't be responsible lending to allow the running of the account to continue as it was. Mrs C hadn't agreed to a repayment plan to clear the debt. I appreciate she says she was willing to do so once the complaint process had been exhausted. But from RBS' point of view, nothing was agreed. In the circumstances here I think its decision was justified and so I don't consider RBS has gone against the FCA rules, or given notice of account closure unfairly or without good reason.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 2 March 2021.

Peter Whiteley
Ombudsman