

The complaint

Mr P is unhappy that Barclays Bank UK PLC, trading as Barclaycard, advised that they'd be suspending his credit account.

What happened

Mr P had held his Barclays credit account since 2002, but in November 2020 he received a letter from Barclays advising that they'd be suspending his account in a few months. Mr P wasn't happy about this, so he raised a complaint.

Barclays looked at Mr P's complaint. But they noted that Mr P's account had been deemed as being in persistent debt, and that they had followed the guidelines laid out by the Financial Conduct Authority (FCA) for dealing with accounts considered to be in persistent debt. So, they didn't uphold Mr P's complaint.

Mr P wasn't satisfied with Barclays response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also felt that Barclays had acted in accordance with the FCA guidelines regarding accounts in persistent debt. So, they also didn't uphold this complaint.

Mr P remained dissatisfied, so the matter was escalated to an ombudsman 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.

In March 2018, the Financial Conduct Authority (FCA) issued new rules and guidance about persistent debt. These rules mean that businesses have an obligation to identify where a customer has paid more towards interest and charges than towards clearing the capital balance of any borrowing – as can often be the case where, for instance, the minimum monthly payment is made on an account - and an account is considered as being in persistent debt if this is the case.

Under the guidelines, if a customer's account meets the definition of persistent debt over an 18 month period, then the business is required to send out a series of correspondence informing customers of the steps they can take for the account to no longer be considered as being in persistent debt, as well advising the customer of the actions that the business may need to take if that customer's account continues to meet the definition of being in persistent debt for a further 18 months.

For any accounts that remain within the definition of persistent debt for a further 18 months, the business has a responsibility to take action, which can include the suspension or cancellation of accounts so that the account doesn't remain in persistent debt indefinitely.

Having reviewed all the information available to me, it's clear that this is what Barclays did here. They first sent Mr P a letter in 2018, advising Mr P that his account was considered as having met the criteria of being in persistent debt for the past 18 months and explaining that Mr P needed to increase his monthly repayments in order to avoid the account still being considered in persistent debt moving forwards.

Barclays also sent a letter to Mr P in November 2019 – the letter about which Mr P has complained – which explained that Mr P's account was still considered in persistent debt and that further action might be required by Barclays if Mr P was unable to make the larger payments necessary for his account to no longer be considered as such.

Mr P has confirmed to this service that he had increased his monthly repayment amount to £75, and so was taking steps so that his account wouldn't continue to be considered as being in persistent debt.

I can understand Mr P's frustration regarding this point. But whether an account remains in persistent debt is determined by a calculation - of the amount of the capital balance repaid on the account since the account was first identified as being in persistent debt.

And in this instance, while Mr P did increase his payments to £75 per month, this increase wasn't implemented early enough such that Mr P had paid more against the capital balance on the account than he'd paid in interest and charges during the period of time under consideration.

This meant that Mr P's account continued to be considered as being in persistent debt, and so I don't feel that I can fairly or reasonably censure Barclays for following the FCA guidelines for accounts considered as being in persistent debt under these circumstances.

It also must be noted that Barclays did explain to Mr P on several occasions about the level of monthly payment that would be required to be paid against the account in order for the account to no longer be considered as being in persistent debt at the end of the assessment period, and I'm satisfied that the correspondence that Barclays sent to Mr P was clear as to why his account was considered as being in persistent debt and explained what steps Mr P could take to resolve the issue.

Mr P has also expressed his confusion that, in a later persistent debt letter, Barclays offered him a payment plan of £18 per month – which was considerably lower than the £75 he was paying at that time.

However, at that stage, Mr P's account had continued to remain in persistent debt for a further 18 months from the time it was first recognised as being in persistent debt. When this is the case, the FCA guidelines stipulate that certain types of reduced interest payment plans should be offered to customers – and that's what Barclays did here. And it must be noted that Mr P had the option of accepting the reduced payment plan, and benefitting from the reduced rate of interest on that plan, while continuing to make larger payments such as the £75 per month he was already paying at that time, if he wished to do so.

But Mr P chose not to accept the pay plan offered by Barclays and opted instead to pay off the remaining balance in full and close the account. I understand that there may have been account restrictions and consequences with regard Mr P's credit file that influenced his decision here, but it remains the case that Barclays were administering Mr P's credit account in line with the FCA guidance here, as explained above.

I realise that this won't be the outcome that Mr P was wanting here, but given that Barclays were acting in accordance with the FCA guidelines on persistent debt, it follows that I won't be upholding this complaint or asking Barclays to take any further action at this time.

I hope that Mr P can understand, given everything I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 July 2021.

Paul Cooper
Ombudsman