

The complaint

Mr B is unhappy that MBNA Limited defaulted his account.

What happened

Mr B fell into arrears on his MBNA credit. In June 2020, Mr B received a letter from MBNA advising that he had missed a payment towards his account and that the account was at risk of being defaulted.

Mr B contacted MBNA and advised that he could clear the outstanding arrears over three instalments. However, his account was defaulted by MBNA shortly afterwards. Mr B wasn't happy about this and felt that MBNA had given him conflicting information on whether the default process could have been stopped by him making a payment toward the arrears. So, he made a complaint.

MBNA looked at Mr B's complaint, but they were satisfied that they had offered Mr B a reasonable degree of forbearance and support with regard the arrears on his account, and that they had followed the default process appropriately. So, they didn't uphold Mr B's complaint.

Mr B wasn't satisfied with MBNA's response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also didn't feel that MBNA had acted unfairly in how they'd managed Mr B's account, including the application of the default, and so they also didn't uphold the complaint.

Mr B 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.

Where a business is aware that a customer is experiencing financial difficulties, it would be expected by this service that the business would act positively and sympathetically toward that customer to help them, if possible, overcome the difficult financial position that they find themselves in.

Having reviewed all the information available to me, I'm satisfied that MBNA did that here. It's clear that Mr B informed MBNA that he was experiencing financial difficulties at least as far back as February 2019, and at that time MBNA offered Mr B a period of breathing space – where no interest would accrue on the account – to give him some time to get his financial position in better order.

Following this, MBNA agreed to a further period of breathing space in May 2019, and one month later, in June 2019, agreed a three-month repayment plan with Mr B to help him clear the arrears that had accrued on his account at that time.

Sometime later, in February 2020, Mr B contacted MBNA and explained that he had no income as he hadn't been working for some time. This meant that MBNA were unable to agree a repayment plan with Mr B, and this is because it would be considered irresponsible for a lender to arrange a payment plan with a customer who has confirmed that they have no income with which to fund the payment plan being arranged.

However, a lender isn't obliged to maintain an account that isn't receiving payment indefinitely, and so MBNA began recovery proceedings and sent a Notice of Default to Mr B later that month. MBNA then sent a Final Demand letter to Mr B several weeks later.

MBNA's actions here appear fair and reasonable to me, and I can confirm that they're commensurate with what this service would expect, given that Mr B's account was in arrears and that Mr B's financial position at that time was such that repayment toward the account was unlikely in the near term.

Mr B contacted MBNA in April 2020 and advised that while he still had no income at that time he was anticipating working again in the near future. Because of this, MBNA agreed a further period of breathing space for Mr B, which expired in May 2020.

The following month, in early June 2020, Mr B contacted MBNA and asked for the default process to be stopped. However, Mr B wasn't able to make any payment sufficient to prevent the account being defaulted, and the account was subsequently defaulted by MBNA approximately one week later.

I'm aware that Mr B feels that when he called MBNA in early June, he was given conflicting information about whether the default process could be stopped if he made a payment toward the account. Having listened to a recording of that telephone call, Mr B informs MBNA that he can clear the outstanding arrears in three instalments, and it's explained to Mr B by MBNA that there is no guarantee that if Mr B did make one of these instalment payments at that time that the default process would be stopped.

While I can sympathise with Mr B's position here, given the difficult financial position that he was in, I find it difficult to criticise MBNA for not confirming to Mr B that the default process could be stopped as he would have liked. And I say this because the default process was by that time at such an advanced stage that the stated deadline to pay the full outstanding balance of the account had already passed, meaning that the defaulting of the account was imminent.

Given that the defaulting of the account could only be avoided at that stage by Mr B making a payment larger than the payment he was immediately offering, it's difficult to fault MBNA's representative for explaining to Mr B that there was no guarantee that his making the payment he was offering would halt the default process.

Mr B has stated to this service that had MBNA made it clear to him during the conversation in early June that only the full repayment of the account would avoid the possibility of the default being applied, that he would have made that payment. Mr B has also stated that the conflicting information that he received from MBNA on that phone call meant that he wasn't confident that making a payment in full would stop the default process, and it was for this reason that he didn't make such a payment.

I'm not convinced by Mr B's argument here, especially given that he appears to have been in no financial position to make minimum payments towards the account in the time leading up to the conversation in question, and because of this I find it difficult to accept that Mr B could have made a payment to clear the account in full at that time.

Furhermore, if it had been the case that Mr B had made the payment to clear the account in full, but MBNA had applied the default to his account shortly afterwards regardless, it's highly likely that my view on this matter would be different.

But Mr B didn't make any payment, and his account was subsequently defaulted by MBNA. And, considering everything I've explained above - including that I'm satisfied that MBNA did treat Mr B positively and sympathetically when he informed them of his financial difficulties, and that MBNA gave Mr B clear and timely notification that the process to default his account had begun - I don't feel that I can fairly censure MBNA for applying the default to Mr B's account when they did.

I realise this won't be the outcome that Mr B was wanting here, but it follows from this that I won't be upholding his complaint or asking MBNA to take any further action at this time. I hope that Mr B 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 B to accept or reject my decision before 8 July 2021.

Paul Cooper
Ombudsman