

The complaint

Mr K complains Barclays Bank UK PLC trading as Barclaycard (Barclays) told him he could use his credit card if he cleared his arrears with them, but then cancelled his credit card and latterly registered a default on his credit file.

What happened

Mr K says he telephoned Barclays in early May 2020 following previous conversations he had with them in February and March 2020 concerning his ability to make his monthly credit card account payments. Mr K says he made several attempts to contact Barclays, leading up to that call in May 2020, but always struggled to get through, often being on hold for long periods of time. Mr K says it was agreed in the May telephone conversation with Barclays a “hold” was to be placed on his account until his income, that had been affected by the Covid pandemic, had resumed and the matter would be discussed again a month later.

Mr K says on 1 June 2020 he telephoned Barclays again to update them, but because his situation hadn’t changed, Barclays agreed to provide another one month hold on his credit card account, to give him some breathing space. Mr K says on 19 June 2020, he spoke with a member of Barclays staff, who told him if he brought the arrears on his credit card account up to date, he would be able to use his card. Mr K says that same day he paid off the arrears of approximately £3,000, to his credit card account.

Following this a few days later, Mr K attempted to use his credit card but it was rejected and when he queried this with Barclays he was told his card was on hold, but he would be able to use it again from the beginning of July 2020. Mr K says this wasn’t the case and was subsequently informed his credit card had been cancelled before he made the payment to his credit card account, which he wouldn’t have done if he’d known he could no longer use the credit card account for his day to day living expenses. Mr K says this caused him additional financial difficulties and a huge amount of stress during a very difficult time and Barclays have not treated him fairly and have subsequently registered a default on his credit file.

Mr K wants Barclays to refund the £3,000 he paid into the credit card account in June 2020, then agree a sensible payment plan and remove the default from his credit file.

Barclays says it has no record of a telephone conversation with Mr K, where it told him if he paid the arrears owed, he could continue to his credit card. While Barclays accept in a later telephone conversation, Mr K was told the block on his credit card would be removed, that was a mistake and the member of staff has been given feedback on that and apologised to him for that. Having said that Barclays say, Mr K was informed in writing, in his monthly credit card statements and in a telephone call on 1 June 2020 his credit card had been cancelled – so he was aware of this.

In addition, Barclays says it has shown forbearance and have refunded some interest charged to Mr K’s credit card account as a gesture of goodwill, but pointed out it sent various letters to Mr K informing him of the consequences of not making his minimum payments, and correctly defaulted his credit card account and registered a default on his credit file, in March

2021.

Mr K wasn't happy with Barclays response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. He felt that Mr K had missed four consecutive minimum monthly payments to his credit card account, from February 2020 to May 2020 and his monthly credit card account statement in May 2020 informed him his credit card had been withdrawn. The investigator felt Barclays had shown forbearance when it put his credit card account on hold and latterly refunded some interest and charges as a gesture of goodwill. The investigator says there was no evidence of the call Mr K says he made on 19 June 2020, where he was told his credit card could be used if he paid the arrears on his credit card account. The investigator accepted Mr K was misinformed at a later date that his credit card would be unblocked, after he had made the payment to his credit card account, but felt the apology given and the £75 compensation paid by Barclays was sufficient.

The investigator says the default registered on Mr K's credit file had been correctly applied by Barclays, given the credit card fell back into arrears and the correct notices were issued by Barclays. The investigator says Barclays took the appropriate steps and the default was correctly applied.

Mr K didn't agree with the investigator's view and asked for the matter to be referred 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.

Having done so, I have come to the same outcome as the investigator and I will explain how I have come to my decision.

I can see that Mr K was going through a difficult time financially, and this was a direct result of the impact of the Covid pandemic, which affected self-employed people like Mr K, and that must have been difficult for him. When looking at this complaint, I will consider if Barclays acted unreasonably when it cancelled his credit card on his credit card account and went on to register a default on his credit file.

The first thing to say is when making a full and impartial decision here, I have to take into account the fact this happened during the Covid pandemic which affected both businesses and customers alike.

It's worth saying here, the Financial Conduct Authority (FCA) issued guidance to banks in April 2020, to provide support to consumers who had been directly impacted by the Covid pandemic. At the time the guidance was issued, it was only considered to be a temporary measure, but of course the impact of Covid continued to affect both customers and businesses. It's worth saying here that Mr K's financial difficulties came to a head in February 2020, when he contacted Barclays to let them know he was unable to meet that month's minimum payment due. This was two months prior to the guidance given by the FCA, so Barclays at that point would have still been following their existing policies and procedures at that time.

Mr K's complaint is twofold, firstly he says he was told in June 2020 if he paid the amount owed representing the arrears on his credit card account, the block on his credit card would be removed allowing him to use it. Mr K has made the point he wouldn't have paid in such a

large sum, in excess of £3,000, if he had known the credit card had already been cancelled by Barclays, as he would have used the money elsewhere. Secondly, Barclays acted unreasonably when it subsequently registered a default on his credit file.

I understand the points Mr K makes here, and looking at the issue concerning the cancellation of his credit card, it has been established that the phone call of 19 June 2020, that Mr K refers to and says he made, can't be traced by Barclays – so that makes this difficult for me to comment on it, other than to consider the steps I feel Barclays should have taken at that time.

What is clear is Barclays have shown forbearance, following Mr K not being able to make the credit card minimum monthly payments from February 2020 to May 2020. This support was given as a result of the telephone calls made in May and June 2020, when Barclays agreed to put Mr K's account on a temporary hold, while his finances improved – both parties believing at that point the situation was only temporary, but of course we have since learned Covid continued to provide challenges for some time after this.

What I have been able to establish from listening to the two telephone calls Mr K made on 1 May 2020 and 1 June 2020, is that Barclays were attempting to support Mr K, offering a 'hold' on his credit card account. It was agreed with Mr K in May 2020, this hold would be reviewed in 30 days but in the meantime his credit card would be blocked until he contacted them in early June 2020. In the second telephone call in early June 2020, Mr K explains his financial position hadn't changed, so Barclays agreed to extend the 'hold' arrangement for a further 30 days. In that telephone call a member of Barclays staff did tell Mr K his credit card had been cancelled, and he wouldn't be able to use it.

I have also seen Mr K's credit card statements dated 7 April 2020 and 7 May 2020, in which the former states, continued non-payment will result in the credit card being permanently cancelled and in the latter, that Mr K should be aware his credit card had been withdrawn.

So here, while I would expect Barclays to show some forbearance, that's not to say Barclays couldn't cancel his credit card as it did, having told Mr K it would be, if they believed that was the most appropriate course of action.

Barclays have admitted a member of its staff had incorrectly informed Mr K he could use his credit card from 1 July 2020, I am satisfied this was unfortunately a genuine mistake here. While Mr K may not agree, there is no evidence to suggest this telephone conversation is related to the call Mr K says he made a few days earlier, when he says it was agreed his credit card would be unblocked if he paid the arrears on the account.

Although Mr K says he wouldn't have made the payment if he had known he couldn't use the credit card, as his account was on hold until 1 July at that time, I am satisfied he was aware he couldn't access the account before then and no formal agreement had been given to him to say he could. Afterall, he was informed a hold was on his credit card account at that point, meaning it couldn't be used.

It's also worth saying at some point if Mr K didn't make up the arrears, Barclays would be entitled to cancel the credit card in any event, as he would be in breach of the terms and conditions, by being in arrears. While it could be argued Barclays should have been clearer with Mr K about its intentions to cancel his credit card in May 2020, when he spoke to them that month, I am satisfied Barclays met its obligations here, for the reasons I have given earlier.

Barclays did refund a payment made by Mr K to his credit card account, later in July 2020 after he had complained about the misinformation regarding his credit card account. I can also see Barclays have since refunded close to £850 in interest and charges as a gesture of goodwill, on top of the £75 it paid for compensation for that misinformation. On balance, I am satisfied that is fair and reasonable here.

As regards to the default registered against Mr K, this happened following the credit card account falling further into arrears. A notice of default was sent in February 2021, by which time Mr K's credit card account was now several months in arrears, in addition to the period of forbearance for his existing arrears position Barclays had already given. In that notice of default, it says- *'Details of this default on your account will be registered with credit reference agencies which could make it harder for you to get credit in the future'*.

From what I can see, Mr K would have received monthly statements leading up to this default notice, detailing what the consequences would be if his minimum payments weren't made, in particular stating - *'Failing to make your minimum payment can mean that you have broken the terms of this credit agreement and could result in us taking legal action against you'*. So, I can't say Mr K wasn't aware of the fact action would be taken against him, and that a default would be registered on his credit file.

While Mr K will be disappointed with my decision, I won't be asking anymore of Barclays here.

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 K to accept or reject my decision before 1 March 2022.

Barry White
Ombudsman