

The complaint

Mrs E complains about MBNA Limited and their failure to arrange a payment holiday as she'd assumed would happen after making them aware of her financial difficulties caused by the COVID-19 pandemic.

What happened

Mrs E took out a credit card account with MBNA in 2012. She'd maintained this account well until early 2020, when her circumstances were impacted by COVID-19 and the restrictions imposed by the government.

Mrs E contacted MBNA in March 2020, where she explained she was self employed so had been unable to work. MBNA agreed to provide Mrs E with a 30-day breathing space and to refund Mrs E's payment made in February. But MBNA also explained this refund would impact Mrs E's credit file. And MBNA say they also explained to Mrs E they were likely to be offering payment holiday's in the near future so to monitor her e-mails regarding this.

In early April, MBNA began offering customer's the option of a payment holiday and sent Mrs E an e-mail regarding this. But Mrs E thought this would be automatically applied to her account so didn't contact MBNA again.

As Mrs E though a payment holiday was in place, she missed her minimum monthly payments for April and May which caused arrears to accrue on her account. So, in early June, MBNA wrote to Mrs E to explain they had reduced her credit limit to prevent further spending on the account.

Following this letter, Mrs E called MBNA to ask if she could have a payment holiday. But MBNA explained she wasn't eligible for this as her account was in two months arrears. Mrs E was unhappy with this so she raised a complaint.

Mrs E didn't think MBNA had acted fairly by refusing to provide her with a payment holiday. She explained her belief that she'd qualified for this automatically by explaining her financial situation to MBNA in late March 2020. So, she wanted this to be applied and any negative information reported to her credit file to be removed.

MBNA didn't agree. They explained payment holidays weren't available when Mrs E called them in March. So, they explained there was no way for this to be applied to Mrs E's account at the time. They thought their handler had made Mrs E aware a payment holiday may be available and that Mrs E would need to contact them again to arrange this. And they thought this was re-enforced by their letter sent in April. As Mrs E had missed two payments following the expiry of her 30-day breathing space, they thought they'd acted fairly when refusing to provide a payment holiday as Mrs E wasn't eligible for this offer. So, they didn't think they needed to do anything more. Mrs E wasn't happy with this response so she referred her complaint to our service.

While the complaint was with our service, MBNA provided another 30-day breathing space. And Mrs E called MBNA in August to arrange a repayment plan to pay off the arrears. MBNA

agreed to a £100 payment for three months, which Mrs E maintained. And in December 2020, MBNA referred Mrs E to their specialist support team for further assistance.

Our investigator looked into the complaint and didn't uphold it. She recognised the impact COVID-19 had on Mrs E's finances and the worry and upset this would've caused. But she didn't think MBNA had acted unfairly by refusing to offer a payment holiday. She didn't think MBNA could've offered this when Mrs E first spoke to them as it wasn't available at the time. So, she thought Mrs E should've been reasonably aware she needed to apply for this separately. As Mrs E didn't, and instead accrued arrears on her account, she thought Mrs E fell outside of the criteria for a payment holiday when she requested it in June. So, she didn't think MBNA needed to do anything more.

Mrs E didn't agree. She explained another lender acted positively and sympathetically to the same situation, agreeing to backdate her payment holiday and remove any negative information from her credit file. So, she thought it was unfair for MBNA to refuse to do the same. As Mrs E didn't agree, the complaint has been referred to me for a 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'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mrs E. I appreciate COVID-19 and the restrictions imposed by the government had a significant impact on many people's finances, in particular those that were self-employed. I recognise how worrying and upsetting it would've been for Mrs E to lose her income yet still be required to maintain her financial commitments. And I recognise Mrs E attempted to address this by speaking to MBNA in March 2020, where a 30-day breathing space was agreed.

As Mrs E explained to MBNA she was impacted by COVID-19, I can also understand why Mrs E may have assumed MBNA would apply a payment holiday automatically as they'd already accepted she was in a difficult financial situation. But for me to say MBNA have done something wrong, I'd need to see evidence that satisfies they mis-led Mrs E into believing this was the case. And because of this, Mrs E accrued arrears which prevented her from being eligible for a payment holiday when she requested one in June. And in this situation, I don't think that's the case.

I've seen Mrs E spoke to MBNA on 27 March 2020, where a refund of her February payment and a 30-day breathing space was agreed. I've seen the contact notes of this call, which detail Mrs E's financial situation due to COVID-19 and the restrictions put in place. So, I am satisfied MBNA had accepted Mrs E was in a difficult financial situation and had acted positively and sympathetically to that situation.

But crucially, this call took place before they were offering payment holidays to affected customers. I've seen payment holidays weren't offered until 4 April, and all of MBNA's were e-mailed about this. MBNA have confirmed Mrs E was sent this e-mail and the e-mail address used matches with the e-mail address we hold for Mrs E on this system. So, I'm satisfied Mrs E received this.

So, I've thought about whether it was reasonable for Mrs E to assume she would automatically receive a payment holiday. And I don't think it was. I've seen nothing in the call notes or on MBNA's system to suggest an automatic transfer to a payment holiday was agreed or discussed.

And I've seen Mrs E would've received an e-mail explaining payment holidays were available after she spoke to MBNA. I think this makes it reasonably clear that a payment holiday was a different plan to a 30-day breathing space. So, I think Mrs E should've been reasonably aware she'd need to discuss this with MBNA to ensure a payment holiday was put in place. And I can't see that she did.

Because of the above, I can't agree that MBNA mis-led into believing she'd receive a payment holiday after the 30-day breathing space expired. So, I don't think it would be fair to hold them responsible for the missed payments in April and May. And I'd expect them to report these payments to Mrs E's credit file as they have a duty to accurately report the way Mrs E was managing her account. I'd only ask MBNA to remove these if I think they were responsible for the missed payments and I don't think that's the case here.

As Mrs E missed payments in April and May, she accrued two months arrears on her account. MBNA have confirmed customers with arrears on their account didn't qualify for a payment holiday, as per their business process. I'm unable to comment on MBNA's decision to implement these criteria as they're entitled to set their own business processes and any concerns about this would be a matter for the industry regulator, the Financial Conduct Authority.

But as this process was in place, and Mrs E had arrears on her account, I can't say MBNA have acted unfairly as they've followed their set process applied to any customer's application for the payment holiday. So, I don't think they need to do anything more on this occasion.

I understand this isn't the outcome Mrs E was hoping for. And I appreciate Mrs E has encountered a similar situation with another lender who took different action. But my decision is focused solely on the service MBNA provided to Mrs E and can't be influenced by the actions taken by a separate lender on a separate account.

I think MBNA did act positively and sympathetically to Mrs E's situation by agreeing a 30-day breathing space on two separate occasions, as well as refunding a payment Mrs E made to help her immediate financial situation. They also reduced Mrs E's credit limit to prevent further spending which would place Mrs E in further debt. And I've seen they've agreed an affordable repayment plan with Mrs E since then, as well as signposting her external debt advice organisations. I would hope MBNA continues to act positively and sympathetically to Mrs E's situation moving forwards.

My final decision

For the reasons outlined above, I don't uphold Mrs E's complaint about MBNA Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 29 December 2021.

Josh Haskey
Ombudsman