

## **The complaint**

Mr B complains that The Royal Bank of Scotland Plc (RBS) wrongly classified his credit card account as 'persistent debt', didn't follow its stated procedure and suggested undesirable and impractical repayment options.

## **What happened**

Mr B has a credit card account with RBS.

In July 2021, he received a letter from RBS. They said they'd written to Mr B previously to tell him that his monthly repayments were low in comparison to the outstanding balance. They'd previously asked Mr B to increase his repayments if he could afford to. RBS said his credit card balance wasn't reducing fast enough and he could be in 'persistent debt'.

RBS said they had a specialist team who could explore different repayment options. They included two options within their letter. Mr B could either repay the outstanding balance within six months and he may be able to keep his card for further spending. Alternatively, Mr B could repay the balance over a term of up to 48 months, but he would no longer be able to use his card.

Mr B said RBS had made a mistake. His account wasn't in 'persistent debt', so RBS hadn't followed the correct procedure. He also said he hadn't received any of the previous letters RBS said they'd sent. So, he complained to RBS.

RBS responded to Mr B's complaint in August 2021. They apologised if their letter had caused any upset or frustration. They agreed that Mr B had met the terms and conditions that applied to his account. But they said the account still fell within the criteria for 'persistent debt'. They explained what this meant. RBS said Mr B had paid more in interest and charges than he'd paid off his balance. They also said they'd sent previous letters to the correct address and none were returned as undelivered. RBS didn't agree they'd made an error.

Mr B didn't agree with RBS's response to his complaint. So, he referred matters to this service to consider. Having reviewed the circumstances of Mr B's complaint, our investigator also didn't think RBS had done anything wrong here. Mr B didn't agree with our investigator's findings.

As an agreement couldn't be reached, Mr B's complaint has been passed to me to consider.

## **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.

The rules relating to persistent debt on credit cards were brought about following the FCA's Credit Card Market Study (CCMS) published in July 2016. The outcome of the study brought about changes in the Consumer Credit Sourcebook (CONC), part of the FCA's handbook in early 2018. Under the new rules, businesses are required to take a series of escalating steps to help customers break the cycle of persistent debt and ensure customers who can't afford to repay more quickly are given help.

RBS wrote to Mr B as part of their obligations under CONC 6.7.27 – 6.7.28. The requirements are that RBS must tell Mr B if he's paid more in interest, charges and fees in

the preceding 18 months than he'd paid off his borrowing. They should also explain that increasing payments will reduce Mr M's borrowing costs and encourage him to contact them to discuss his financial circumstances. They should warn Mr M about the implications of reaching a position of 36 months in persistent debt.

RBS have confirmed they routinely check customers' accounts each month to identify where there may be persistent debt situations. Their letters and actions are only triggered once the persistent debt criteria is met in an 18-month period.

I've seen a template copy of the first letter RBS sent to Mr B in January 2020. Its contents met all of these requirements. RBS confirm that of the £2,144.92 paid by Mr B during the previous 18 months, £1,125.56 covered Interest and charges. This meant that £1,020.36 went towards the balance owed. Having compared this to Mr B's statements, I agree his account did meet the FCA's criteria for persistent debt at that time. He'd paid less off his balance than he'd paid in interest and charges. RBS's letter also said that increasing repayments could save considerable amounts of interest and help repay the balance much sooner. I think this was helpful and the right thing to do in the circumstances.

RBS were required to complete a further nine-month review of Mr B's account to ensure they met their obligations under CONC 6.7.29. Between April and June 2020, it seems RBS reduced the interest rate charged on Mr B's account. This meant that more of Mr B's repayments were being used to reduce the balance he owed. So, Mr B's account didn't meet the 'persistent debt' criteria during that period. So, they didn't need to write to Mr B.

In July 2021, RBS wrote to Mr B again in order to meet their obligations under CONC 6.7.30 – 6.7.40. They said that Mr B's account had now reached the end of the second 18-month period and he'd continued to pay more in interest and charges than towards the amount borrowed. RBS have confirmed that of the total £1,681.46 paid by Mr B during the 18 months, £963.63 covered interest and charges. This meant that £717.83 went towards the balance owed. I've reviewed Mr B's statements and agree the account did meet the 'persistent debt' criteria.

Mr B told this service he'd checked his previous statements. He said that interest and charges were "around £65" and repayments he made were around "£80". He also said that "£65 is less than £80, not more...". I agree with what Mr B said. But that means that of the £80 paid by Mr B, only £15 was used to reduce the balance he owed. The rest paid interest and charges. The definition doesn't compare the total amount paid to the interest and charges. It looks at how the total is split. So, using Mr B's example, the interest and charges are four times the amount being repaid off the remaining balance owed. And as this meets the FCA's definition of "persistent debt", I can't reasonably say that RBS wrongly classified Mr B's account.

Mr B said he didn't receive any letters from RBS before July 2021. He's also asked this service to provide proof. I would like to reassure Mr B that I'm satisfied RBS did previously write to him. Their records clearly show that. They've also confirmed that all statements and letters were sent to the address they hold for Mr B. That address is shown on all his statements and matches the one provided by Mr B to this service. While Mr B may not have received previous letters, I can't reasonably hold RBS responsible for that. Once letters were sent, they wouldn't have had control over their ultimate delivery.

The FCA's rules as regards RBS's actions and the options presented are detailed in CONC 6.7.30 - 6.7.40. Having considered the letter RBS sent to Mr B in July 2021, I believe it met the FCA's requirements. So, I can't reasonably conclude that RBS did anything wrong here.

I've looked at RBS's website and searched for any reference to persistent debt. I was able to find the relevant page quickly and I believe it provides a full explanation of persistent debt and the steps RBS are required to take.

I fully appreciate Mr B's frustrations. It appears he may have misunderstood what RBS told him about the rules around persistent debt. But on balance, I can't agree that RBS have done anything wrong or treated Mr B unfairly in these circumstances. The FCA's rules under CONC are specifically designed to require lenders to provide support and options to consumers, to ensure they avoid potential debt problems in the future. I believe that's what RBS were trying to do here. So, I won't be asking them to do anything more.

I see there have been subsequent exchanges in relation to the current status of Mr B's account with RBS. I would encourage Mr B to discuss his current circumstances and explore options with RBS, so that a way forward that's acceptable to both parties can be agreed.

### **My final decision**

For the reasons set out above, I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 May 2022.

Dave Morgan  
**Ombudsman**