

The complaint

Mr S has complained that Barclays Bank UK PLC (“Barclays”) failed to offer him proper support during the pandemic when he experienced financial difficulties and was no longer able to make monthly payments to his Barclaycard credit card account.

Background

Mr S has said that in March 2020 he tried to contact Barclays to ask for help as he is self-employed, and his income had been impacted by the pandemic. He’s said he tried multiple times between March and June 2020 to get through to Barclays on the phone but was unable to due to long waiting times.

By the time Mr S managed to speak to a Barclays representative in early June 2020 he had missed multiple payments. He wanted to apply for the Covid payment holidays as set out by the Financial Conduct Authority’s (“FCA”) guidance but was told he wasn’t eligible as there were now arrears on his account and the Covid payment holiday was only available to customers who were up to date with their payments at the point of application. Mr S was unhappy with that as he felt it wasn’t his fault he hadn’t applied before the arrears started to build up on his account. He had tried multiple times to call the business and was unable to get through.

Barclays accept that its phone lines were extremely busy and wait times were exceptionally long at the start of the first lockdown. It has said that when its advisor spoke to Mr S in June 2020, they did offer him alternative support, offering to put him on a repayment plan and freeze the interest from accruing on his account. However, Mr S refused to this option as it would mean markers for late payments would be registered on his credit file and he didn’t want that to happen.

Mr S continued to miss payments on his account until August 2020, when he made a single large payment to clear the arrears. However, by this stage there were several months of missed payment markers on Mr S’ credit file. Unhappy with the support he had been offered, and the impact of the markers on his credit file, Mr S complained to Barclays.

Barclays responded saying it hadn’t done anything wrong in how it had handled Mr S’ request for help. It noted that the FCA guidance for Covid holidays said customers had to be up to date with their payments in order to qualify for that specific type of relief. Mr S was three months in arrears by the time he spoke to its representative in June 2020 and while it accepted that the wait times on its phone lines prior to that were exceptionally long, it said Mr S could’ve also applied for the payment holiday online. It also noted that when Mr S did contact the bank in June 2020 he was offered alternative support, which he refused to take. Unhappy with Barclays’ response Mr S brought his complaint to us.

I issued a provisional decision on 14 January 2022. Prior to that Barclays had agreed to retrospectively apply a payment holiday between March and August 2020 and remove the markers from Mr S’ credit file relating to these missed payments. As both parties were satisfied with this element of the complaint I didn’t comment on it directly.

Instead I considered whether or not Barclays had acted fairly when it added the default to Mr S' credit file in March 2021 and whether or not the amount of compensation suggested by our adjudicator was reasonable.

On these two issues I found that Barclays were entitled to add the default and had followed the relevant guidance correctly when doing so. I also found that the award of £50 compensation by the adjudicator who considered Mr S' complaint before me was also reasonable.

Barclays accepted the findings of the provisional decision.

Mr S didn't reply to the provisional decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has raised any additional points for me to consider following the provisional decision, my opinion on the complaint remains the same. For the sake of clarity, I will include a summary of those findings again

As both parties agreed with the adjudicator's recommendation that the Covid payment holiday be retrospectively applied between March and August 2020, and all markers relating to missed payments during this time period removed from Mr S' credit file, those points were not considered in the provisional decision and won't be commented on here.

Instead I will focus on the two outstanding issues, that is the default that was added to Mr S' credit file in March 2021, and whether or not the business needs to pay him a higher amount of compensation than that suggested by the adjudicator.

In regard to the default that has now been registered against Mr S; Mr S has confirmed that he didn't make any payments after August 2020 when he cleared the arrears with a lump sum payment. He has said that this was because he was still struggling financially as a result of both the impact of the pandemic and other personal matters outside of work.

He agrees that Barclays did offer to put him on a repayment plan when he rang to make the payment in August 2020, but he refused this support as the plan that was suggested would result in markers being added to his credit file which he wanted to protect. He refused to fill in an income and expenditure form and ended the call.

I've listened to that call and the representative did make it clear to Mr S that if he didn't make his contractual repayments his account could end up being defaulted. Mr S was of the opinion that as he had an outstanding complaint with this service and was waiting to hear back from us, he shouldn't be defaulted. However, he also confirmed he was unable to make the required monthly repayments due to the impact of Covid and other personal matters.

Barclays have clarified that it sent Mr S a number of letters in regard to the arrears on his account after August 2020, including a default notice in February 2021 before the account was eventually defaulted in March 2021, a year after the first missed payment. I've reviewed all of the information regarding the default and how it was applied, and while I do have sympathy for Mr S' situation at the time, I'm unable to say Barclays have done anything wrong in how it has applied the default to his account.

I say this because the Payment of Reporting Arrears, Arrangements and Defaults ("PRAAD")

guidance as set by the Information Commissioners Office (“ICO”) the ‘*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*’ document, says the following:

4. If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down.

As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears.

There are exceptions to this which may result in a default being recorded at a later stage, such as a secured or long term loans, e.g. mortgages, or if the product operates in a more flexible way e.g. current accounts, student loans, home credit.

If an arrangement is agreed, a default would not normally be registered unless the terms of that arrangement are broken.

While I understand Mr S feels his account went into arrears for reasons beyond his control, and that prior to March 2020 it had been properly maintained, there is no obligation on the part of the business to provide him with the type of support he was requesting. That is, an ongoing payment freeze which wouldn’t impact his credit file, until such a time as his business recovered from the pandemic. As the rules cited above set out, there is an obligation on Barclays to report missed payments and to apply defaults within six months of arrears building up. Which is what it did on Mr S’ account.

And having listened to the phone call from August 2020, I’m also of the opinion that the representative he spoke to clearly explained to Mr S what would happen if he refused to go on a repayment plan and continued to miss payments. While I appreciate Mr S was waiting for his complaint to be reviewed by this service during this time, that review didn’t stop or negate the contractual obligations he had in regard to his credit card agreement with Barclays. So, I am unable to find Barclays have behaved unreasonably or unfairly in regard to the type of support offered to Mr S in August 2020 or in how it applied the default in March 2021. And so I’m unable to ask it to remove the default marker from Mr S’ credit file.

Mr S has also said that he doesn’t think £50 is enough compensation for the distress and inconvenience caused by Barclays. Compensation is a personal thing. What is seen as reasonable by one party may not be considered so by another. Mr S did experience some inconvenience when he couldn’t contact the business. But it has since added the payment holiday retrospectively and removed the markers from his credit file for the months between March and August 2020. So I think the amount suggested by the adjudicator feels fair in the circumstances here. I appreciate that Mr S doesn’t agree. But it isn’t the role of this service to make awards in order to penalise businesses for their mistakes and I’m satisfied the business has done enough to rectify the problems caused by the issues experienced by Mr S in March 2020.

Putting things right

Therefore, Barclays should:

1. Apply the payment holiday retrospectively, backdating it to cover the first missed payment in March 2020 until August 2020
2. Remove any adverse information reported to the Credit Reference Agencies between March 2020 and August 2020 inclusive, and

3. Pay Mr S £50 compensation in recognition of the distress and inconvenience caused.

My final decision

For the reasons set out above I partially uphold Mr S' complaint against Barclays Bank UK PLC

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 March 2022.

Karen Hanlon
Ombudsman