

The complaint

Mr M is unhappy that Capital One (Europe) plc permanently suspended his credit account.

What happened

Mr M's Capital One credit account fell into arrears in June 2020 as Mr M was unable to meet the minimum monthly payments required on the account. The account remained in arrears, and in December 2020, Mr M contacted Capital One and explained that he was experiencing financial difficulty because of the Covid-19 pandemic.

Capital One assessed Mr M's income and expenditure at that time and offered a 'breathing space' arrangement to Mr M. However, in January 2021, Capital One wrote to Mr M and explained his account had been suspended for non-payment. Capital One later defaulted Mr M's account for the same reason. Mr M wasn't happy about this, so he raised a complaint.

Capital One looked at Mr M's complaint. But they felt that they had administered Mr M's account fairly and reasonably, and so they didn't uphold the complaint.

Mr M wasn't satisfied with Capital One'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 Capital One had acted unfairly towards Mr M in how they'd managed the ongoing situation, and so they also didn't uphold Mr M's complaint.

Mr M 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.

I'm aware that Mr M is upset that, having been granted the breathing space agreement by Capital One, that when he went to make payments to his account online there was a message that advised him to only make payments that he could afford to make, but didn't include any information or warnings about the potential consequences of not making a payment towards his account at that time.

However, I've listened to a recording of the telephone call between Mr M and Capital One that took place in December 2020, where Mr M first made Capital One aware that he was experiencing financial difficulty because of the Covid-19 pandemic.

Having done so, it's notable that on that call, Capital One explained to Mr M that during the breathing space arrangement no interest or charges would be incurred on the account, but that if Mr M wasn't able to make the scheduled payments towards his account during that period, that these payments would be considered as being missed and as constituting arrears, and that his account may be defaulted for non-payment as a result.

Additionally, as well as being given the relevant information about the potential

consequences of non-payment on his account verbally, Capital One also followed that conversation with a letter to Mr M's address which confirmed that information. And, while Mr M has stated that he didn't receive that letter, I still feel that the verbal provision of the information given to Mr M during the telephone call in December 2020 provided sufficient notice to Mr M of the possible consequences that may arise if he wasn't able to make payments towards his account during the breathing space period.

It also must be noted that at the time that Mr M contacted Capital One in December 2020, his account was already in a position of arrears and had been so for some time. As such, at the time that Mr M contacted Capital One in December 2020 to advise of his financial difficulties his account was already in a position where the defaulting of that account for non-payment was a possibility.

If course, having been advised by Mr M that he was experiencing financial difficulty in December 2020, it was incumbent on Capital One at that time to have assessed Mr M's position sympathetically and to have provided reasonable forbearance to him.

By offering Mr M the breathing space agreement, which meant that interest and charges wouldn't be incurred on his account during that period, so that the overall outstanding balance wouldn't increase, I think that Capital One did that here. But importantly, I don't feel that there was an obligation on Capital One to have not followed their usual default proceedings during that time.

One reason I say this is because credit providers have certain obligations regarding accounts in arrears, and one of these obligations is not to allow an account to remain in a position of continuing arrears indefinitely. This is because an account in arrears is reported as being such by the credit provider to the credit reference agencies, and also because an account in arrears generally incurs interest and charges that mean that the account can fall further and further into debt with each passing month – to the account holder's detriment.

As such, where an account has fallen into a position of multiple arrears, such as Mr M's account had, and where a credit provider ascertains that the account holder has little reasonable chance of clearing those arrears in the near future, then that credit provider has an obligation to consider defaulting the account – which has the effect of halting the accrual of further interest and charges, effectively freezing the account balance and allowing both the credit provider and the account holder greater flexibility in the repayment arrangements that can be agreed.

For these reasons, I don't feel that Capital One acted unreasonably or unfairly towards Mr M by defaulting his account when Mr M fell into further arrears on his account, and I say this because Capital One had been informed by Mr M of his financial difficulty which meant that Capital One did have reasonable cause to consider that Mr M might not be able to reduce or clear the outstanding arrears on his account in the foreseeable future.

And while it may have been the case that Capital One began default proceedings at a time when Mr M was in a breathing space agreement, it's important to recognise that Capital One were under no obligation to extend that agreement when it came to an end, especially as the arrears on Mr M's account had grown during the breathing space period.

Ultimately, I think the assumption made by Capital One that Mr M wouldn't be able to reduce or clear the arrears in the foreseeable future was a fair one, and on that basis it wouldn't be expected that Capital One would have delayed default proceedings unnecessarily, but rather that they would have proceeded with them at the earliest reasonable time – which I'm satisfied that they did – so that the default is reported to Mr M's credit file, and will therefore be removed from Mr M's credit file following the default reporting period, at the earliest

possible juncture.

I realise that these were difficult times financially for Mr M, and I can sympathise with the position that he found himself in, and I understand that Mr M's financial position may have recovered since that time. But as explained, given the arrears that had already accrued on Mr M's account at the time he contacted Capital One in December 2020, and that Mr M didn't appear to be in a position to resolve those arrears in the near future, I don't feel that Capital One's actions in subsequently managing the situation as they did were unfair or unreasonable.

Indeed, had Capital One allowed Mr M's account to remain in an ongoing state of deepening arrears after having been made aware by Mr M that he was struggling financially at that time, then I would likely have considered Capital One to have acted irresponsibly towards Mr M by doing so.

I realise that this won't be the outcome that Mr M was wanting, but it follows that I won't be upholding this complaint or instructing Capital One to take any further action at this time. I hope that Mr M will understand, given all that 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 M to accept or reject my decision before 22 June 2022.

Paul Cooper
Ombudsman