

The complaint

Miss M is unhappy with the service she received from Barclays Bank UK PLC regarding events surrounding the end of a payment holiday she'd been granted on her personal loan.

What happened

In May 2020, Miss M was granted a three-month payment holiday by Barclays as she was struggling to meet the payments due on her loan account because of the financial impact of the Covid-19 pandemic. When that three-month payment holiday ended, Barclays granted Miss M a further three-month payment holiday on the same terms. This second payment holiday began in August and the first payment that would become due after the end of the payment holiday would be in November.

Approximately a week after the second payment holiday had commenced, Barclays took a loan payment by direct debit in error. Barclays apologised to Miss M for this and arranged for the payment to be returned to Miss M's bank account. Barclays also cancelled the direct debit to ensure that the returned payment wasn't applied for again, meaning that when the payment holiday ended and payments became due, Miss M would need to either reset the direct debit or arrange payment by alternative means. Finally, Barclays wrote to Miss M to confirm that her direct debit had been cancelled and explaining the actions she would need to take when the payment holiday ended.

Unfortunately, Miss M didn't receive the letter advising that her direct debit had been cancelled, and so expected the loan account payments to resume being taken automatically by direct debit in November. But Miss M noticed that the November direct debit payment hadn't been taken as she expected and so she contacted Barclays and was told that she didn't need to make the November payment, that payments would resume in December, and that the missed November payment would be added to the end of the loan term.

Shortly afterwards, Miss M began receiving letters from Barclays advising that she was in arrears on her loan account. When Miss M contacted Barclays about these letters it was initially reiterated to her that she wouldn't need to make a payment until December, but in December Barclays changed their position and explained to Mrs M that she would need to pay the November payment also, which was considered as having been missed such that the loan account was in arrears.

Miss M wasn't happy about this and couldn't afford to make two loan payments in December, so she raised a complaint. Barclays looked at Miss M's complaint. They acknowledged that they'd given Miss M incorrect information when they'd told her that the November payment could be missed and that she could resume her loan repayments in December, and they apologised to Miss M for this and offered to make a payment of £200 to her by way of compensation for the inconvenience caused. However, Barclays confirmed that the November payment was still considered by them as being missed and as constituting account arrears and that it was incumbent on Miss M to clear these arrears.

Miss M wasn't satisfied with Barclays response, so she referred her complaint to this service. One of our investigators looked at this complaint. But they felt that Barclays response to

Miss M's complaint, which included that Barclays hadn't immediately reported the November payment as being a missed payment to the credit reference agencies so as to give Miss M the opportunity to make the payment without her credit file being impacted, as well as the offer of £200 compensation, already represented a fair and reasonable resolution to what had taken place, and so they didn't uphold Miss M's complaint.

Miss 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 issued a provisional decision on this complaint on 4 March 2022 as follows:

Barclays don't dispute that they provided Miss M with incorrect information when she contacted them to enquire about why the November payment hadn't been taken by direct debit as she had thought it would be, and they accept that it was explained to Miss M at that time by their agents that Miss M wouldn't need to make a November payment and that payments would resume on her loan account in December.

It therefore doesn't feel fair to me that Barclays would later change their position on this matter and advise Miss M that the November payment was now considered as having been due but missed and that Miss M needed to make a payment to clear this payment, which was now regarded as being arrears on her account. And this especially the case given that Barclays advised Miss M of this change in position in December, meaning that Miss M was put in the position of having two outstanding payment due on the loan that month.

Given that these events directly follow Miss M being on a payment holiday as a result of not being able to meet the payments due on the account, it seems unreasonable that Barclays would then immediately put Miss M in a position where two payments were considered as being outstanding on her loan account during a time when Miss M was known to have been in recent financial difficulty. As such I will be provisionally upholding this complaint in Miss M's favour and instructing Barclays to rework Miss M's loan account to provide a further month of payment holiday to Miss M, in line with what their advisors initially explained to Miss M would take place in the first instance.

Barclays may counter that they did confirm to Miss M by letter that her direct debit had been cancelled and that Miss M therefore needed to make new arrangements when payments resumed. But given that Miss M contacted Barclays to enquire why the November payment hadn't been taken, it seems more likely than not to me that Miss M wasn't didn't receive that letter as she claims and so wasn't aware of a need to make new payment arrangements.

Had Barclays explained to Miss M when she first contacted them about this matter in November that the November payment needed to be made, then I would almost certainly take a different view on this matter. But Barclays told Miss M that the payment didn't need to be made, and so it's understandable to me that Miss M, at a time of financial difficulty, might have reallocated the funds she'd set aside to make that payment, given that it had been confirmed to her by Barclays that the November payment didn't need to be made and would be added to the end of the loan term.

It therefore doesn't feel fair or reasonable to me, as explained above, that Miss M

would then be told the following month that, contrary to what she'd initially been informed, the November was considered as being missed and had to be made. And while I commend Barclays for trying to provide a degree of leeway for Miss M to make the November payment before reporting it as arrears to her credit file, I still feel that by considering the November payment as being missed, despite acknowledging the incorrect advice given by their agents to Miss M about this, that Barclays were putting Miss M in a financially difficult position – which is at odds with the spirit of the payment holidays that Miss M had only just completed.

It follows then that I will be provisionally upholding this complaint and instructing Barclays to rework the loan account so that a further month's payment holiday, for the month of November 2020, is considered to have been applied. This additional month of payment holiday should be applied on the same terms as the two three-month payment holidays that had been applied previously, including that interest would continue to accrue on the account during that time, but that arrears are not considered to have accrued and the payment isn't reported as being missed to the credit reference agencies.

I also feel that Barclays should make a payment of compensation to Miss M for the upset and inconvenience this matter has caused, and I note that in their response to Miss M's complaint Barclays offered a compensation payment of £200 to Miss M. This amount seems reasonable to me, given the circumstances here, and as such I'm also instructing Barclays to make a payment of £200 to Miss M by way of compensation for the reasons previously explained. This compensation payment may not be applied by Barclays to the balance outstanding on the loan account unless Miss M gives Barclays her permission to do so.

In my provisional decision letter, I gave both Miss M and Barclays the opportunity to provide any comments or new information they might wish me to consider before I moved to a final decision. Both Miss M and Barclays provided responses to my provisional decision letter for my consideration, and Barclays response in particular necessitated that I send a second provisional decisional letter to both parties, which I did on 6 April 2022.

Miss M's response to my initial provisional decision letter included an explanation that Barclays had later applied a default to her account which she felt was a direct consequence of the events described above and a request for me to instruct Barclays to remove that default.

I addressed Miss M's concerns in this regard in my second provisional decision letter as follows:

I can appreciate why Miss M might want the default removed from her credit file, but having reviewed the account statements provided by Barclays, it seems evident that the default was applied by Barclays as a consequence of events that happened after Miss M brought her complaint to this service. I say this because while Miss M was disputing the need to make a payment for November 2020 – which is the basis of this complaint – she did make her contractual payments for December 2020 and January 2021.

However, Miss M then didn't make a payment in February 2021, and began making reduced monthly payments in March 2021, having enlisted the services of a debt charity which then proposed such a reduced monthly payment amount to Barclays. And while Barclays were obliged to accept the reduced monthly repayment offer made by the debt charity that Miss M enlisted, it's also the case that Barclays were

entitled to consider the account as falling further into arrears while those lower payments were being received.

Because of this, I don't feel that Miss M incurred a default on this account as a direct result of Barclays considering the November 2020 payment as being outstanding, but rather because of the later financial difficulties that Miss M experienced. This means that I won't be considering Miss M's request to instruct Barclays to remove the default as she would like here as I feel that the recording of this default falls outside the scope of this complaint. If Miss M continues to be unhappy with the default that's been applied to her credit file, then she would need to raise this as a separate complaint with Barclays.

Miss M has also mentioned that interest was continuing to be incurred on the account, which hindered her attempts to reduce the balance. But the type of payment holidays that Miss M applied for and was granted included that interest would continue to be accrued on the account, and so I don't feel that Barclays acted unfairly by applying this interest. And I also note that Barclays stopped applying interest to the account when the debt charity that Miss M engaged contacted them on Miss M's behalf.

In their response to my initial provisional decision letter, Barclays noted that because Miss M's account has now been sold to third-party company, they're unable to rework the account directly as I provisionally instructed.

Instead, Barclays explained that they were willing to effectively write off the November 2020 payment, reducing the balance outstanding by that payment amount, as well as to make the compensation payment of £200 to Miss M. I responded to Barclays suggestion in my second provisional decision letter as follows:

This feels fair to me, and it's within the spirit of what I instructed in my provisional decision. However, because Barclays offer here is technically different to that which I provisionally instructed, I'm obliged to issue a second provisional decision to formalise that offer. Additionally, I will also be provisionally instructing Barclays to arrange for the credit file reporting to be amended so that the November 2020 payment isn't showing as being missed.

All of which means that the conclusion of my second provisional decision letter was that I would still be provisionally upholding this complaint, albeit on a slightly different basis to that explained in my initial provisional decision letter, as follows:

- Barclays must arrange for the outstanding balance on Miss M's account to be reduced by £237.13 – effectively writing off the November 2020 payment.
- Barclays must also arrange for the credit file reporting to be amended so that the November 2020 payment is no longer showing as being missed but is reported as the same status as the previous months when the payment holiday was in force.
- Finally, Barclays must make a payment of £200 to Miss M to compensate her for the trouble and upset that she's incurred here. This payment may not be applied to reduce the balance outstanding on the account unless Miss M gives her permission to do so.

In my second provisional decision letter, I again gave both Miss M and Barclays the opportunity to respond and provide any comments or new information they might wish me to consider before I moved to final decision.

Both Miss M and Barclays confirmed that they were happy to accept my decision as outlined in the second provisional decision letter, and so I can confirm that my final decision will be that I am upholding this complaint in Miss M's favour on that basis accordingly.

Putting things right

- Barclays must arrange for the outstanding balance on Miss M's account to be reduced by £237.13 – effectively writing off the November 2020 payment.
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- Finally, Barclays must make a payment of £200 to Miss M to compensate her for the trouble and upset that she's incurred here. This payment may not be applied to reduce the balance outstanding on the account unless Miss M gives her permission to do so.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 May 2022.

Paul Cooper
Ombudsman