

The complaint

Mr J is unhappy Barclays Bank UK Plc (trading as Barclaycard) registered a default against him for missed payments on his credit card.

What happened

Mr J took out a Barclaycard credit card in 2013. His credit limit was increased from £400 to £1,900 in 2016, but Mr J said he had a low income at the time, and was also suffering severely with his mental health. He says he informed Barclaycard of his financial difficulties in April 2017, but it wasn't considered, and further charges and interest were applied to his account. The account was defaulted, and this information was recorded on Mr J's credit file. Mr J says all these issues caused him to have a breakdown. He says his credit limit shouldn't have been increased and he would like the default marker removed from his record and the debt written off.

Barclaycard said Mr J's complaint regarding irresponsible lending had been referred to us too late and it didn't consent to us looking into it.

Regarding the rest of Mr J's complaint, Barclaycard said Mr J's repayments became erratic and it closed his account in September 2017. It later registered a default on his credit file as an outstanding balance was still owed and payments were not being made. It said the information reported to the credit reference agencies was correct and can't be changed. But Barclaycard confirmed that all charges and interest had been refunded to Mr J for the period in which he was experiencing financial difficulty. Unhappy with the response, Mr J referred his complaint to us.

Our investigator didn't think the complaint should be upheld. She thought the complaint about the increase to Mr J's credit limit was referred out of time. Regarding the other part of Mr J's complaint, she noted his statements showed arrears started to build in June 2017 and letters were subsequently sent to him advising he'd missed his contractual minimum payments. And Mr J was sent a default notice in March 2018. As no payment was made, a default was registered in April 2018. She thought Barclaycard had acted fairly and recorded the default within a reasonable timeframe.

Mr J doesn't agree and asked for an ombudsman's decision. He thought it was irresponsible lending and Barclaycard should have carried out more checks on its affordability as a minimum before it increased his credit limit.

Another ombudsman concluded that Mr J's complaint about irresponsible lending was referred to us too late. So, this part of Mr J's complaint can't be revisited. But his complaint about financial difficulties leading to a default being registered has been passed to me to decide.

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 know it will come as a disappointment to Mr J but having thought about all that's been said, I agree with the outcome our investigator reached and for similar reasons. I'll explain why.

Firstly, I'd like to thank Mr J for sharing with us about the difficulties he has faced in recent years. I do appreciate it's been a very difficult and challenging time for him. But I must put aside my feelings of empathy and look at this case impartially based on the evidence.

When a consumer is in financial hardship a lender is required to treat such circumstances positively and sympathetically. So, as mentioned above, in this decision I've focused on Barclaycard's actions after Mr J made it aware of his financial circumstances to see if it met those obligations.

Mr J says Barclaycard continued to apply interest and charges while he was in financial difficulty. Barclaycard recognised it could have done more to support him when it became aware of his circumstances. So, it has since refunded £555.91 to the account in 2019, reducing the amount Mr J owed. The refund covered all the interest and charges it applied from April 2017 until his account was closed. Barclaycard confirmed there were no further charges or fees applied to the account after this time. It also paid Mr J £75 in compensation. So, I've thought about whether it's done enough to put things right and if it treated Mr J fairly in recording the default against him.

Interest charges and account fees

I've looked at whether Mr J's account would have been in arrears if the interest and charges, which have now been refunded, hadn't been applied to the account in the first place, and if they ultimately caused the default. Barclaycard's refund was used to offset the arrears, but I can see that there remained an outstanding balance on the account. This indicates there was already a balance owing on the account before Mr J made it aware of his circumstances in April 2017. I also note Mr J didn't make any payments to the account for several months prior to the default being recorded. So, I don't think Barclaycard was responsible for the arrears on the account or for Mr J defaulting.

Default

Guidance set out by the Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments a default may be registered, and it would expect a default to be registered by the time the consumer is six months behind on their contractual payment. I've reviewed the information regarding the application of the default, I've also looked at Mr J's credit card statements and I note there were no payments made to the account in the six months before the default notice was sent to him. Barclaycard has an obligation to register a default with the credit reference agencies when payments are continuously missed, so I don't think it did anything wrong by registering the default on Mr J's account.

I recognise in March 2018 Mr J informed Barclaycard he had made an application for bankruptcy, but I don't think it means it shouldn't have registered the default. It is required to record accurate information with the credit references agencies, and I think it did.

Mr J would like the outstanding arrears written off, but I don't think Barclaycard is obligated to do this. It asked Mr J to provide written confirmation of his condition from his doctor so it could consider clearing the remaining balance he owes on his account and I don't think that's an unreasonable request. If Mr J wants Barclaycard to consider this point further he will need to provide it with the medical evidence it has requested so it can assess whether Mr J's circumstances warrant writing off the debt he has accrued and had the benefit of.

Compensation

As well as refunding the charges and fees, Barclaycard paid Mr J £75 in compensation prior to him raising this complaint and I think that's fair. As mentioned above, in circumstances like this, where a consumer informs a lender they're having difficulty making their repayments, I would expect a lender to act sympathetically toward them and work with them to come to a suitable repayment agreement. However, I would also expect the consumer to cooperate with the lender.

Barclaycard's notes show it wrote to Mr J and asked him to contact its dedicated support line so it could assess his circumstances and provide appropriate support. It also placed a hold on Mr J's account for 30 days which meant it didn't contact him and didn't charge him interest during this period. However, I can't see that Mr J contacted Barclaycard as requested.

While I sympathise with Mr J's situation, I find Barclaycard made several attempts to provide additional support, but as he didn't contact its team, it made it difficult for it to do so. However, I appreciate it will have been distressing to find Barclaycard continued to charge him when he was struggling to make his repayments. I think £75 is fair compensation for the distress this will have caused, and I don't think it needs to do anything more than it already has.

Mr J says Barclaycard sold his debt and he is being harassed for payment by a third party, which he says he isn't in a financial position to make. Barclaycard confirmed the debt has not been sold on. Mr J will need to address the issue with Barclaycard and work with it to come to a suitable arrangement for the repayment.

My final decision

For the reason mentioned above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 29 June 2022.

Oluwatobi Balogun
Ombudsman