

The complaint

Mrs B complains that Barclaycard (Barclaycard) defaulted and closed her account.

What happened

Mrs B had a Barclaycard. In February 2020, the limit was £12,750 and the statement balance was £5,710. Minimum contractual monthly payments were around £130-£140. In March 2020, Mrs B asked for a payment holiday due to the Covid-19 pandemic. Barclaycard agreed to this for two months – to 31 May 2020. No payments were therefore made by Mrs B in April 2020 and May 2020. Mrs B's statement dated 16 June 2020 required a minimum payment of £157.29 by 15 July 2020 and this wasn't paid; the statement dated 16 July 2020 required a payment of £321.97 by 17 August 2020 and this wasn't paid by that date. The statement dated 18 August 2020 asked for a payment of £482.51 by 15 September 2020 – and this amount was paid on 1 September 2020.

Barclaycard sent a Notice of Default on 11 July 2020 and on 21 September 2020, wrote to Mrs B to say a default had been registered. Mrs B's account was closed and passed to a debt collection agency.

Mrs B complained. She said she thought she had a three-month payment holiday. She said she then missed a payment and called Barclaycard who offered a one month breathing space. And in September 2020, she paid off the arrears by when she was asked to. She said she was devastated to receive a letter of default on 21 September 2020 – when the arrears had been fully paid. Her account was defaulted – after years of never missing a payment. And then – the debt was transferred to a debt collection agency and her card account was closed, which she said was unfair.

In their final response, Barclaycard said they'd sent letters in July 2020 and September 2020 to say Mrs B's account was in arrears and that the account was then defaulted and closed in line with their policy. The default had been reported to the credit reference agencies -they had to record accurate information. They apologised that Mrs B couldn't get through to speak to them on several occasions – and for that, offered compensation of £25.

Mrs B brought her complaint to us. Our investigator asked questions of Barclaycard, who investigated Mrs B's complaint again. They concluded that the default wasn't fairly applied and agreed to remove it; but said the closure of the account should remain in place as it had been closed in line with policy. They said that on 17 July 2020, Mrs B had completed an income and expenditure process on the phone, and this showed that expenditure was more than income – therefore they'd offer her a 'zero offer' plan – whereby they agree to a 60 day hold on the account, by which time the arrears should be paid off. If, in that time, this wasn't done – then a default was to be registered. Barclaycard said they closed the account because of the negative income and expenditure position that Mrs B showed when she called them. This was in line with their policy. Barclaycard agreed to remove the default and offered to pay compensation of £150. But said that the closure of Mrs B's account should remain in place – if Mrs B wanted to have an active account again, she could apply in six months' time.

In the light of this new information, our investigator said that Mrs B's complaint should be upheld, the default removed, and compensation of £150 paid – in addition to Barclaycard's original offer of £25. Mrs B's account should remain closed, but statements generated and payments towards the debt made by Mrs B.

Mrs B asked if her account could be reopened with a card – so she could use it. It didn't seem fair that after Barclaycard had made mistakes that she had to 'beg' for a card again. She asked that an ombudsman look at her complaint.

I reached a provisional decision where I said:

Mrs B applied for a payment holiday under the pandemic support scheme. In April 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Barclaycard, had to put in place 'payment holidays' on many credit agreements, including credit cards – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

Mrs B says she thought she was given a three-month payment holiday – which would have meant she didn't have to make any payments in April 2020, May 2020, or June 2020. But – Barclaycard say that she was given a two-month payment holiday up to 31 May 2020 – and that's what I can see was marked in their records. And, consistent with this, Mrs B's statements dated 20 April 2020 and 19 May 2020 – said that no payments needed to be made. But the statement dated 16 June 2020 asked for a minimum payment of £157.29 by 17 July 2020 – which Mrs B didn't make.

We asked Barclaycard for the letters, texts or any other communications that were sent to Mrs B when the payment holiday was set up – and when it was about to end. Unfortunately, Barclaycard couldn't show us if anything was sent to Mrs B. And – the internal customer notes I've seen also don't say anything about the payment holiday and its terms. Neither could Barclaycard evidence any calls about it. So, on that basis – I'm persuaded to accept Mrs B's version of events - that she asked for a three-month payment holiday – and thought that was what had been agreed. Therefore, she would've thought she didn't need to make a payment in respect of the June 2020 statement. Although on the other hand, the statement did say that a payment was needed. So – there was at least some confusion here.

I can see she didn't make the payment due by 15 July 2020 – but then called Barclaycard on 17 July 2020 and completed an income and expenditure form on the phone. Barclaycard say this showed that expenditure was more than income – and therefore placed her on a 60 day 'zero offer' plan – which they told us that arrears had to be repaid within 60 days, and if they weren't then the account would be defaulted. I've looked at the notes of that call – and they say that Mrs B couldn't afford the repayments. But in a later call, in September 2020, the notes then record that there was confusion on the prior July 2020 call - as Mrs B was on maternity leave and was to return to work in September 2020. And I reviewed the notes of the call on 17 July 2020 – and there aren't any figures noted down about Mrs B's income and expenditure. So – it's not clear to me on what basis Barclaycard made their 'zero offer' decision. We asked them for any letters sent to Mrs B about the 'zero offer' and its terms - and there aren't any. Neither is there a recording of the call on 17 July 2020. So, it's not clear that the terms of the 'zero offer' were explained to Mrs B, or understood.

On 17 July 2020, Barclaycard sent Mrs B a Notice of Default. This said she needed to bring her account up to date by 19 September 2020 by paying the minimum payments. Otherwise, a default would be registered. The letter says that Mrs B's account and card was cancelled.

I then looked at Mrs B's statements. That dated 16 June 2020 showed a payment of £157.29 was needed by 15 July 2020 – this wasn't paid – but it may have been that Mrs B thought she was on a three-month payment holiday at that time. The statement dated 16 July 2020 – asked for a payment of £321.97 by 17 August 2020 – which also wasn't paid – as Mrs B was then on the zero-offer plan. The statement dated 18 August 2020 asked for payment of £482.51 by 15 September 2020 – that is, two months' arrears for June 2020 and July 2020, plus the August 2020 payment. Mrs B paid this amount on 1 September 2020, so clearing the arrears, and within the due date. And – this was paid within the 60-day zero offer period – which expired 17 September 2020. And – she had settled the Notice of Default dated 17 July 2020. And so – she met Barclaycard's contractual payment requirements on her account.

It was therefore unfortunate that Barclaycard then sent Mrs B a letter of default on 21 September 2020 – saying that the balance of £6,975 was due, a default had been registered and Mrs B's cards had been cancelled and statements stopped. The letter said the debt may be passed to a debt collection agency. Given that Mrs B had made the payment on 1 September 2020 – I can imagine how upsetting and stressful it must have been to receive this letter.

And so – the letter of default should not have been sent, nor the default registered. Barclaycard have recognised that and in discussion with us, agreed to remove it – and offered compensation of £150.

Turning to the cancellation of Mrs B's account. Barclaycard say that because Mrs B said in her call – that she was struggling and had less income than expenditure, they cancelled her account – and so she couldn't use her card and could only make payments to it. Mrs B says that's unreasonable. And here, I think it comes down again to communications. In the call notes, there's no clear indication that this was explained to Mrs B. And there's confusion over whether she was receiving income or not. The call isn't available to listen to. And while the default notice dated 17 July 2020 does say *"you won't be able to use any cards on your account as they're permanently cancelled"* – Mrs B did repay the arrears within the required timescale of the notice – and so it seems to me that it would be reasonable for Barclaycard to positively consider reissuing the card again.

That said, we can't tell Barclaycard to do that – as it is down to their lending decision. And – Mrs B's circumstances will no doubt have changed over time, so I can't say what her salary, etc is now. But I'm asking Barclaycard to consider Mrs B's circumstances positively and review whether they can agree to her request – in the light of what happened in 2020. I note that it is now over 18 months since Mrs B's complaint to Barclaycard – and they said they'd review her application after six months. So, I'd ask Barclaycard to contact her again, invite Mrs B to apply and review her request. If a new card account is agreed with a suitable limit, the debt should be taken back from the debt collection agency and a normal customer relationship re-established.

Turning to the other remedies. Barclaycard must remove the default from Mrs B's credit file. On the matter of compensation – I think this should be increased. Mrs B will have found it difficult to get credit since the default. And, to receive the default letter – when she had paid what was needed – must have been stressful and upsetting. Furthermore – Barclaycard's final response didn't deal with her complaint particularly well, as it simply said that her account had been dealt with within their policy. It would have been

reasonable for Barclaycard to have dealt with these matters in November 2020 – after Mrs B complained but didn't. And so – I think that compensation should be increased to £250, to include the £25 that Barclaycard previously offered. This should be paid to either Mrs B's bank account, or to her card account debt – and she should advise us of her preference when she responds to this provisional decision.

Responses to the provisional decision:

Mrs B said she didn't have an up to date balance as she hasn't been sent any statements – and asked for one to be sent. Barclaycard agreed to remove the default from Mrs B's credit file and pay the increased amount of compensation but said they couldn't re-open Mrs B's account and give her a new card. But they would arrange to generate statements again, begin to charge interest and arrange a repayment programme with Mrs B. Barclaycard confirmed that the debt hasn't been 'sold' to a debt collection agency, but passed to one to manage repayments.

I now need to make 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've considered what Barclaycard have argued, which I consider is reasonable. And it also means that Mrs B will get statements again - and be able to properly agree a way forward with Barclaycard to repay the balance she owes – which she has said she is happy to do.

But Mrs B should understand that this will also mean that interest will start to be charged again. The only thing she won't have is an 'active' credit card from Barclaycard to use – but I assume that after the default has been removed (this can take up to three months to be deleted from her credit file) – then she can apply for a card from another lender.

Barclaycard told us that Mrs B's balance on 1 July 2022 was £6772.20.

And so – I have slightly adjusted the remedies to reflect these points.

My final decision

I uphold this complaint. Barclays Bank UK PLC trading as Barclaycard must:

- Pay compensation of £250 for stress and inconvenience. This to include the offer of £25 previously made. In responding to this decision, Mrs B should advise how she would like this paid – to her bank account or in reduction of the Barclaycard debt.
- Remove the default from Mrs B's credit file.

- Reinstate the account to generate monthly statements and start to apply interest again.
- Agree a mutually acceptable repayment programme with Mrs B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 22 August 2022.

Martin Lord
Ombudsman