

## **The complaint**

Mr C is unhappy that Barclays Bank UK PLC, trading as Barclaycard, closed his credit account and reported a default on his credit file.

## **What happened**

Mr C had a credit account with Barclays. In October 2020, Mr C contacted Barclays as he was in arrears on the account and was struggling to meet the monthly contractual payments that were due on his account because of the financial impact of Covid-19.

Mr C completed an income and expenditure assessment with Barclays at that time, which showed that his outgoings were more than his income. As a result, Barclays placed a hold on Mr C's account such that he didn't need to make monthly payments towards it.

Mr C's financial position improved, and he made a payment towards the account of approximately £3,500, which reduced the balance outstanding on the account by about half. However, Mr C then discovered that Barclays had closed his account and reported a default to the credit reference agencies. Mr C wasn't happy about this, so he raised a complaint.

Barclays looked at Mr C's complaint. They noted that they had sent a default notice to Mr C informing that his account might be defaulted if he continued to be unable to make payments towards that account. Barclays also noted that the default notice explained to Mr C that if his financial position improved that it was important that he called Barclays to update them, and that the scheduled default may not be able to be stopped if Mr C didn't call them.

Finally, Barclays noted that Mr C hadn't called them, and therefore hadn't confirmed that he'd be able to make continuing monthly payment moving forwards, and so they didn't feel that they'd acted unfairly by defaulting the account as they had.

Mr C wasn't satisfied with Barclays response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also didn't feel that Barclays had acted unfairly towards Mr C and so they also didn't uphold Mr C's complaint.

Mr C 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 22 June 2022, as follows:

*In April 2020, the FCA issued guidance on the provision of three-month payment holidays to eligible consumers who were experiencing difficulty meeting the payments due on their credit accounts because of the financial impact of Covid-19. The FCA guidance included that, for these three-month payment holidays only, the*

*reporting of these payment holidays to the credit reference agencies would be suspended, so that an eligible consumer who benefited from such a payment holiday didn't have their credit file impacted by doing so.*

*Not all consumers were eligible to receive these three-month payment plans, and the FCA explained that the purpose of the guidance was to protect consumers who had been able to meet the repayments on their credit accounts without incident until that time, but who were at risk of incurring adverse reporting for missed or late payments on their credit files solely as a result of the impact of Covid-19.*

*In his complaint to this service, Mr C had indicated that he'd had a payment holiday. But when reviewing the statements of Mr C's credit account I couldn't see any indication of months where a payment holiday had been in effect, and Barclays have confirmed that Mr C hadn't been granted a payment holiday previously at the time that he first contacted them in October 2020 to advise that he was experiencing financial difficulty.*

*I've therefore considered, as part of my review, whether it was reasonable for Barclays to not have offered Mr C a three-month FCA prescribed payment holiday at that time. This is because if Mr C had been given such a three-month holiday, this payment holiday would have covered the period up to when Mr C made the large payment towards his account, and potentially might have resulted in Mr C's account not being defaulted.*

*Barclays contend that because Mr C's account was already in arrears when he contacted them in October 2020 that this meant that he wasn't an eligible consumer as per the FCA guidance. To that effect, it's notable that Mr C didn't make a payment of £186.04 that was due on his account on 21 September 2020, but that he did make a payment of £190 to clear those arrears on 2 October 2020.*

*It's also notable that Mr C didn't make the next payment that was due on his account on 21 October 2020, but that he called Barclays and advised that he was experiencing financial difficulty because of Covid-19 only two days later, on 23 October 2020.*

*I feel that the purpose and spirit of the FCA guidance surrounding payment holidays was clear – in that it was implemented to protect consumers who had otherwise been able to maintain their monthly payments but who were in danger of falling behind on payments and having their credit files affected solely as a result of Covid-19.*

*Considering Mr C's position here, I feel that he meets this criteria, and that he was the type of consumer that the FCA were seeking to protect. And while Mr C was in arrears on his account, he was only in arrears by two days, having cleared the previous months arrears with his last payment of £190.*

*Accordingly, I feel that Mr C's status as being the type of consumer that the FCA guidance was designed to protect should reasonably have been recognised by Barclays when Mr C spoke with them in October 2020, and that he should have been given a three-month payment holiday by Barclays at that time. And I also feel that payment holiday could and should have reasonably been backdated by Barclays to cover the September 2020 payment that Mr C had recently paid late, so that Mr C didn't incur the reporting of a late payment on his credit file in regard to that month.*

*Had Barclays applied such a three-month payment holiday to Mr C's account, it would have covered the months of September, October, and November. And Mr C*

would also have been eligible for a second such payment holiday which might have run up to and including February 2021.

*These payment holidays would also have necessitated ongoing communications from Barclays advising Mr C that his payment holidays were due to end and advising of required next steps, which would also have included Mr C providing an update income and expenditure assessment to confirm whether or not his ongoing financial situation had improved such that he could afford to resume making the contractual monthly payments, either at the end of the first payment holiday or the second.*

*All of which means that, considered from this perspective, I find it very difficult to conclude that the defaulting of Mr C's account is fair here. And I say this because I feel that had the FCA prescribed payment holidays been granted to Mr C by Barclays as I feel that they should have been, that Mr C would in all likelihood have been able to confirm to Barclays that he could afford to resume making the contractual repayments that were due on his account before he incurred any adverse reporting on his credit file.*

*It follows therefore that I'll be provisionally upholding this complaint in Mr C's favour on that basis and instructing Barclays to remove the adverse reporting from Mr C's credit file, including any late payments that may have been reported from September 2021 onwards, as well as the subsequent default.*

*My provisional instructions also include that Barclays must reopen Mr C's credit account without applying any interest for the period that Mr C's account has been restricted or closed, and that they must make a payment of £200 to Mr C which I feel provides fair and reasonable compensation for the trouble and upset that Mr C has incurred.*

In my provisional decision letter, I gave both Mr C and Barclays the opportunity to provide any comments or new information they might wish me to consider before I moved to a final decision.

Mr C and Barclays both confirmed they were happy to accept the outcome as outlined in my provisional decision. As such, I see no reason not to issue a final decision upholding this complaint in Mr C's favour on the basis described above, and I can confirm that I do uphold this complaint in Mr C's favour accordingly.

### **Putting things right**

Barclays must reopen Mr C's account without applying any interest for the period that the account has been restricted or closed.

Barclays must also remove all adverse reporting from Mr C's credit file relating to this account from September 2021 onwards, including the late payment markers and the default.

Finally, Barclays must make a payment of £200 to Mr C in recognition of the trouble and upset that he's incurred.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or

reject my decision before 8 August 2022.

Paul Cooper  
**Ombudsman**