

The complaint

Mr A complains about a default marker Barclays Bank UK Plc have recorded against him with the credit reference agencies. He'd like the marker removed.

What happened

Mr A held a current account with Barclays. In June 2020 two payments left his account totalling £97,900 – which was significantly more than the available balance on the account at the time. This left the account in a very large unarranged overdraft. The payments had been made using Mr A's debit card.

Barclays cancelled Mr A's debit card and sent letters asking him to repay the full amount. They say they received information from the merchant that Mr A had been attempting to make a payment to obtain goods. £7,900 was returned by the merchant, and the rest of the money was recovered via chargeback.

In August 2020 Barclays took the decision to close Mr A's account and wrote to him to tell him this. They recorded a marker with the fraud prevention agency CIFAS, which said Mr A had been involved in first party fraud. They also recorded a default marker against Mr A, but marked it as satisfied as the money had been recovered.

Mr A complained about this, and initially Barclays removed the CIFAS marker. But they later felt this was an error, but as not to disadvantage him decided not to record it again. But they said they would not be removing the default marker. But they did offer to pay Mr A £150 for providing incorrect information about removing the default, and for a delay in issuing their final response.

Unhappy with this Mr A referred the complaint to our service, asking for the default to be removed. Our investigator felt the complaint should succeed. They said that the letters Mr A received didn't meet the standard for a default notice as per the Consumer Credit Act 1974 and couldn't be treated as such. They felt it was unfair for Barclays to record the default marker. They asked for the marker to be removed, and for Barclays to pay an additional £100 compensation for the impact of it.

Barclays disagreed, saying that default marker was applied in line with their internal guidance when there is an allegation of first party fraud. They said the requests for repayment were sufficient before recording the default marker. But the investigator responded to say they didn't think a default was a standard or appropriate marker to record in these circumstances.

As no agreement could be reached the case has been passed to me to decide. I requested additional information from both parties which has now been received.

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.

The key question for me to consider is whether it is reasonable for Barclays to record Mr A's account as defaulted. A default is usually recorded if someone fails to meet their financial obligations under an agreement with a financial business.

There are steps that are generally expected before a default is recorded with credit reference agencies – such as writing to the consumer to outline the nature of the failure, and what they can do to rectify this. I've reviewed the correspondence available between Mr A and Barclays and I can't say these requests for repayment meet these criteria. But I also recognise that in some cases it won't be necessary.

However, in this case the dispute isn't around whether Mr A met his financial commitments to Barclays. The account was significantly overdrawn, but this wasn't because Mr A had failed to repay borrowing. Instead it appears Barclays suspected him of trying to defraud the bank by forcing through a payment when he knew there wasn't enough money in the account. If this was the case then the appropriate marker to record would be with a fraud prevention service, such as CIFAS, so long as the standard of evidence required is met.

Barclays have now removed the CIFAS marker, and don't intend to put it back on. Mr A has accepted he was using the card, but disputes that he was deliberately trying to push through a payment – he's said he was expecting the money to be paid in by his brother, and if there wasn't enough money in the account he assumed the payments would fail. Barclays have said they no longer hold the technical evidence from the transactions. I think it unlikely Barclays could now meet the standard of proof to record a marker with CIFAS.

I note Barclays recovered the funds that left Mr A's account, so hasn't suffered a loss. I'm not persuaded that recording the account as defaulted – albeit satisfied – is appropriate, and Barclays are unreasonable to have recorded it this way. As such, it should be removed.

Having reviewed the terms of Mr A's account I'm satisfied it was reasonable for Barclays to close his account in the manner they did – it was significantly overdrawn.

Barclays have already offered Mr A £150 compensation to cover this misinformation given to him, and for delays in responding to his complaint. I've also gone on to consider the impact of the default marker on him. He has mentioned difficulty in obtaining a phone contract and other forms of credit.

Overall, I'm satisfied the default marker would have made obtaining financial services more difficult and inconvenient for him – although if Barclays hadn't removed the CIFAS marker the impact would likely have been greater. Taking all this into account, I'm satisfied an additional £100 compensation would be reasonable to reflect the impact of the default marker.

My final decision

To resolve this complaint Barclays Bank UK Plc must:

- Remove any negative information about this account from Mr A's credit file
- Pay him £100 compensation in addition to the £150 previously offered - £250 in total

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 February 2023.

Thom Bennett
Ombudsman