

## The complaint

Ms M complains Barclaycard (Barclaycard) defaulted her account.

## What happened

Ms M had a credit card from Barclaycard. She worked in the airline industry and her income was badly affected by the Covid-19 pandemic. She had two payment holidays which ran from 28 June 2020 to 30 January 2021. In March 2021, the limit was £6,000 and the balance was £5,881. Ms M paid in £200 on 3 March 2021; £23.63 on 9 March 2021; and £300 on 7 April 2021. Ms M called Barclaycard on 3 March 2021. Her income & expenditure was negative and she was given a zero-payment plan for 60 days. Barclaycard said they wanted to see a revised income and expenditure form from Ms M by 5 May 2020. On 6 May 2021, Barclaycard defaulted the account and Ms M's credit file was marked with the default.

Ms M complained. She said she was on furlough, but her income was significantly reduced as result. She hadn't understood the plan she was given in the first place and wanted to avoid a default. She had told Barclaycard in March 2021 that she was hoping to go back to regular work shortly. She said she was overwhelmed by the emails and letters from Barclaycard. She had called Barclaycard on 11 May 2021 – and couldn't see why they wouldn't give her a period of grace from the 5 May 2021 deadline. She had done everything she could to keep her payments up to date by getting help from family and friends. She said she had suffered a lot of stress and anxiety because of what happened.

Barclaycard said that based on Ms M's income and expenditure form, she had a negative disposable income. So, they placed her on a 'zero offer' plan. This gave Ms M 60 days' notice to make standard minimum payments, or her account would be terminated and defaulted – and the credit reference agencies (CRAs) advised of the default. Barclaycard acknowledged that she had made the minimum payments. But as she hadn't called back by 5 May 2021 with her updated income and expenditure, the default was registered. They said that even though Ms M had made the monthly payments, because this was assisted by her friends and family, they couldn't accept this as regular income. They said the default would remain in place.

Ms M brought her complaint to us. Our investigator said Barclaycard acted reasonably. He said that as a responsible lender, they couldn't be expected to allow Ms M's account to fall into arrears, and so defaulting her account was the right thing to do. Barclaycard had done the right thing by putting the zero offer in place, and in asking for a review of Ms M's income and expenditure after 60 days. They wanted to ensure that Ms M could afford the repayments – to make sure she could get back on track. And as she didn't do that, they defaulted her account.

Ms M asked that an ombudsman look at her complaint.

### *I reached a provisional decision where I said:*

I take a different view to our investigator. I don't think it was reasonable for Barclaycard to offer the 60-day zero-offer plan when Ms M called on 3 March 2021, nor was it reasonable to default her account in May 2021.

Ms M had had two consecutive payment holidays up to 30 January 2021. 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.

The intention was to provide short term support – usually in cases where customers would be returning to work within a short period of time. And so – where a customer's situation was that they were in longer term difficulty, then payment holidays under this scheme weren't normally agreed.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers' circumstances. And – reporting to credit reference agencies was reintroduced for people that had already had the maximum six months of payment holiday.

And so – because Ms M had already had two payment holidays, she couldn't have another one. And because I can see that her account was then over her limit by February 2021 (the balance was £6,383 against the limit of £6,000), I think it was doubtful that Barclaycard could have agreed a further payment holiday anyway – as it looks like Ms M needed a different form of support – as she had been on furlough for a long time by then.

I can see that Ms M called Barclaycard on 3 March 2021. I haven't listened to the call as Barclaycard haven't provided it to us – but in responding to this provisional decision, they might like to do so. I can see from the notes of the call that Ms M completed an income and expenditure form – and it showed a negative monthly income of £230 – that is, her outgoings were more than her income. In those circumstances, the FCA's guidance is that businesses like Barclaycard should treat customers in difficulties with forbearance and due consideration. For example, a business might suspend or waive interest, accept lower payments or defer them, and allow customers more time to repay their debt.

So – Barclaycard agreed the zero-offer plan, in line with the FCA's guidance. The plan had zero interest and charges. Barclaycard said they would put the plan in place for 60 days – until 5 May 2021. But by then, they said they wanted to see a revised income and expenditure statement from Ms M, otherwise they would default her account. In a letter dated 3 March 2021, Barclaycard said they wanted Ms M to call them by 5 May 2021 to *"arrange to pay your standard minimum payments. If you don't do this, we'll register a default with the credit reference agencies"*. The letter also said that if Ms M's situation didn't change, they would register the default.

But – on the call (as the notes of the call show), Ms M thought her situation would improve in the next three months; and, that she could maintain the payments to the account. So on the one hand, I can see that Barclaycard wanted to be sure that Ms M's situation would improve (by her returning to work) – but equally, I don't think it was reasonable to say that Ms M's account would be defaulted if she didn't provide an income and expenditure form by 5 May 2021. And because she said she would probably return to work soon; a short term 30-day hold would have been more reasonable.

But - the key point here is that Ms M did make the minimum payments to her account – when she called Barclaycard on 3 March 2021, her account was paid up to date. And

after that - she paid more than the required minimum amount in respect of the statements dated 25 March 2021 and 29 April 2021 – so her account wasn't in arrears at all.

The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error. And in Ms M's case – she wasn't in arrears, even by one month. So – I think Barclaycard made an error here.

Barclaycard said to us (and also in their final response) that the default was reasonable because Mr M couldn't show she could make the payments from her income, and had to rely on family and friends – but I don't think that's a reason to default an account – because that means Barclaycard were essentially making a judgment on what might happen in the future, which I don't think is fair or reasonable. The fact is that Ms M was making the payments and her account wasn't in arrears.

I also listened to the calls on 8 March 2021 and 9 March 2021. On 8 March 2021 – Ms M clearly said she didn't understand what she'd been told in the call on 3 March 2021. Barclaycard's call handler said he could see that Ms M wasn't in arrears and said *"I don't know why they put you on that plan...you're not even behind (on payments)...it shouldn't really have been done...I wouldn't have mentioned the zero offer to you but put a short term hold on the account for 30 days...to see if income changes..."*.

Ms M called again on 9 March 2021 and the call handler then said, *"if you keep up to date with payment, that will prevent any default...we would only default if you can't make the minimum payments"*. She said that two or three more times. She confirmed Ms M's account was up to date. She also said Ms M only need to call back if her circumstances changed – when she went back to work. In the final sign off to the call – the call handler said Ms M needed to contact Barclaycard by 5 May 2021 to update her income and expenditure form to avoid a default. But she then concluded by saying again that if the payments were maintained, a default would be avoided. And so, on both calls the dominant message was that if Ms M made the payments, there wouldn't be a default.

And so, my provisional decision is to uphold Ms M's complaint. I don't think the zero-offer plan was the right thing to do, and a short-term 30-day hold would've been more helpful – to see if Ms M was to return to work as she hoped. And as she maintained the payments in March 2021 and April 2021 – her account shouldn't have been defaulted. Barclaycard should remove the default (and any other adverse information between March 2021 and May 2021) from Ms M's credit file. Ms M also argues that she has been stressed and depressed by what happened - especially in the context of being on a significantly reduced income for a long period. And I can see that. So, an award of compensation of £200 is also appropriate here.

#### Responses to the provisional decision:

Barclaycard agreed; and Ms M acknowledged receipt but had no comments. 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.

As Barclaycard agreed with the provisional decision, and Ms M had no comments, I am not going to depart from it in my final decision.

### **My final decision**

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

- Remove the default from Ms M's credit file and remove any other adverse information also for the period March 2021 – May 2021.
- Pay compensation of £200 for stress and inconvenience. Ms M should advise us how she would like this to be paid – to her bank account or credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 24 August 2022.

Martin Lord  
**Ombudsman**