

The complaint

Mr C complains that Barclays Bank UK PLC trading as Barclaycard failed to properly administer his account, leading to an unauthorised transaction and the closure of his account, causing damage to his credit rating.

What happened

Mr C held an account with Barclaycard for some years before moving to a new address abroad. He explained that he suffered various lapses in customer service and wanted to change his account that better suited his circumstances whilst abroad. Arrangements were made to change his card and a new one was sent to his foreign address, but unfortunately this didn't arrive.

Barclaycard sent another card to Mr C at his foreign address, but again this didn't arrive. Mr C noticed that an unauthorised transaction had occurred on his account and asked Barclaycard to investigate. It appears that this was mistakenly recorded as a dispute, rather than fraud.

Mr C stopped making payments against his account, which generated a series of letters sent to his UK address. Mr C has said he couldn't make payments against his account because his card was blocked. Eventually, Barclaycard defaulted the account due to the ongoing lack of payments against the debt and subsequently sold it to a third-party business. Mr C was then sent various messages about the outstanding debt.

Barclaycard closed Mr C's account and updated the missed payments with various credit reference agencies. Mr C made a complaint to Barclaycard about their management of his account and the way they handled the fraudulent transaction. Barclaycard's response to Mr C's complaint left him unhappy and he brought his complaint to the Financial Ombudsman Service for an independent review. It was looked into by one of our investigators who asked both parties for information about the complaint.

It was apparent that Barclaycard's records weren't as complete as they could have been and a number of earlier complaints had complicated the outstanding issues. One of these issues was the disputed transaction Mr C had earlier told Barclaycard about. After Mr C had provided further detail to Barclaycard, they agreed to remove the charge from his account and refund any interest accrued as a result of it. Our investigator concluded that Barclaycard hadn't acted fairly towards Mr C and recommended that Barclaycard pay him £150. But he also thought that it was fair for Barclays to record Mr C's account with the missed payments, the default on his account and then to close it.

Mr C disagreed with the investigators outcome and argued that he wasn't able to pay any funds off his account because his card had been blocked. He wanted the outstanding amounts written off, the removal of the default and his credit file updating. Mr C also wanted Barclaycard to reinstate his account.

Mr C's account has now been passed to me for a 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.

There are several elements to this complaint, so I'll deal with them separately.

Disputed transaction

Whilst it's apparent that Barclaycard mistakenly registered Mr C's original claim as a dispute, rather than as fraud, they eventually refunded the payment back to his account. As a result, I don't need to address the refund any further.

Card replacements

Mr C had requested a different account that would better suit him, and he needed a different card which was sent to his new address abroad. I've seen the records supplied by Barclaycard that show the cards were sent to this address, but it appears they never arrived. I realise Mr C was critical of Barclaycard for failing to safely deliver the cards, but once they're sent, Barclaycard have little control over the transport of them. So, I can't find them at fault for the loss of them during the delivery journey, which was the responsibility of various third-party businesses.

Mr C commented that Barclaycard could have sent the second one to his UK address, after the loss of the first one. But, he'd already asked Barclaycard to send them to his foreign address, so I don't think it's reasonable to expect Barclaycard to change the destination when they'd already been asked to send them to the foreign address.

Account payments/closure/default

Once Mr C identified the fraudulent transaction, he chose not to make further payments against his account. There's some disagreement about why he stopped making them, but the relevant issue for me to consider here is was it reasonable for Mr C to stop making payments in such circumstances.

Barclaycard have explained that if the only outstanding transactions were fraudulent ones, they'd write off the debt. But here, Mr C also had undisputed transactions on his card that required repayment. By choosing not to repay them, the account would eventually be defaulted, which is what happened. Barclaycard then sold on the debt, which isn't unusual in such cases.

I don't think it was unreasonable for Barclaycard to default the account, because even without the disputed transaction, the account held a debt that Mr C was required to repay. Barclaycard sent various letters to Mr C at his UK address, explaining the situation and how he could repay the debt. So, I don't think that Mr C's explanation that because his card was blocked, he could no longer make payments against his account was reasonable. There were several ways to make payments to his account, none of which required an active card.

I think Mr C's choice to stop making payments led to the closure and default of his account. I won't be asking Barclaycard to re-open the account as I think it was reasonable for them to close it after they stopped receiving payments towards the debt. I would remind Barclaycard that if they haven't already done so, they should ensure that the debt they sold on to the third party is updated with the removal of the disputed transaction and associated interest.

Putting things right

Taking everything into account, I think Barclaycard could have dealt with Mr C's account better and investigated his claim of the dispute transaction earlier. But Mr C's choice to stop paying also led to legitimate payments being missed, ultimately leading to a default and the closure of his account.

Barclaycard should now pay Mr C £150 for the way they handled his account and the unnecessary stress they caused to him and that any reporting to the credit reference agencies reflects Mr C's financial situation.

My final decision

My final decision is that I uphold this complaint in part and require Barclays Bank UK PLC trading as Barclaycard to settle the complaint as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 October 2022.

David Perry
Ombudsman