

## **The complaint**

Ms G complains that Barclays Bank UK PLC closed her bank account and recorded a default with credit reference agencies.

## **What happened**

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Ms G held a Barclays bank account that had an overdraft facility. In December 2020, when the account exceeded its overdrawn limit, Ms G spoke with Barclays and a collections hold was agreed while a separate complaint she'd raised was looked in to. Interest continued to be applied to the account until May 2021 when the overdraft facility was withdrawn – with an outstanding balance of about £3,000.

Barclays wrote to Ms G in June 2021 explaining the overdrawn balance on the account was 'critical' and asked her to contact them. They also provided Ms G with two months' notice that they may close her account. A further 'critical' letter was sent the following month which explained that if Ms G didn't pay or get in touch then they would take steps to close the account and record a default with the credit reference agencies.

A termination notice was then sent to Ms G on 11 August 2021. Barclays said it would come into effect on 10 September 2021 and they would make demand for full and immediate repayment of the balance at that date. They also explained that it was their intention to register details of the account with credit reference agencies and that this could seriously affect Ms G's ability to obtain credit.

A repayment plan was set up on 19 August 2021 for £30 per month, with the first payment due in September 2021. After the first three payments had been paid, Barclays would then send out the paperwork to confirm the agreement. The next day Barclays sent Ms G confirmation that they'd agreed to increase the overall borrowing limit on a temporary basis in line with the current borrowing – with the expectation regular payments would be made to reduce the balance.

Ms G visited a Barclays branch in September 2021 to make the first payment but was advised it wasn't possible as the account was closed and she didn't have a bank card. Ms G raised this issue with Barclays as she needed to be able to make payments and explained the experience was very upsetting and had affected her health. Ms G requested a bank card so that she could make payments and use the mobile app. She also raised concerns that interest had been applied to her account after December 2020, even though she was told that it wouldn't be.

Barclays spoke with Ms G on 19 October 2021 and she confirmed receipt of the bank card they'd sent her on 8 October 2021, as requested. They explained she should now make the £30 payment but Ms G requested that it be put on hold until November 2021. Barclays said they didn't think this could happen but would double check.

Barclays then spoke to Ms G the following day and sent confirmation of their position – as a final response – in writing. In short, they said:

- They were sorry for the poor experience Ms G received in branch and a prior telephone call when she was advised to go into branch. Feedback had been given to the branch staff to improve their service.
- They offered £250 for this, which Ms G accepted, and confirmed that it had been paid to her chosen bank account.
- They were glad to hear the new bank card had been received and they were sorry it took so long to be issued.
- They were unable to delay the loan plan (that I'll refer to as 'R plan') payment and suggested Ms G make it as soon as possible to stop the plan failing. Once the next two payments have been completed, they'd send the R plan paperwork to Ms G.
- Ms G's account had been put on a complaint hold in January 2021 (following the December 2020 call) but this didn't stop charges being added. They were sorry if incorrect information had been given. Once the overdraft facility was removed in May 2021, the interest was stopped.

Another letter was sent to Ms G the same day. This explained the repayment plan had been cancelled as it hadn't been kept to. It also said that information about how Ms G managed her accounts held with Barclays would be sent to credit reference agencies.

Ms G's account was closed and set to recoveries on 25 October 2021. Barclays recorded a default with credit reference agencies.

The matter was referred to the Financial Ombudsman. Our investigator upheld the complaint. In short, she said:

- She didn't think Barclays acted fairly by recording the default. This is because, although their letters explained information is shared with credit reference agencies, they ought to have informed Ms G that a default would be recorded if payment wasn't made. They didn't give Ms G the required default notice.
- Ms G tried to make the September 2021 payment, thereby showing a willingness to stick to the plan, but wasn't able due to errors by Barclays. She also later enquired about delaying the first month's payment too.
- A hold on the R plan wasn't put in place while the complaint about the payment issue was considered. Had it been, then Ms G may not be in the position she is now.
- The cancellation letter was sent the same day as the final response from Barclays, which only advised to make the payment as soon as possible. Barclays therefore gave inadequate information about what would happen if the payment wasn't made. But, even if Ms G had been informed, this wouldn't have given her much time considering the plan was cancelled five days later.
- Although Ms G says she was told in December 2020 interest would be frozen, there wasn't anything to evidence this. And so, it was fair that interest only stopped when the overdraft facility was removed in May 2021.
- Barclays should remove the default recorded with credit reference agencies, reinstate the R plan so Ms G can make repayments towards the debt and pay her a further £250 compensation.

Barclays and Ms G agreed with the investigator's recommendations. But, upon contacting Ms G to arrange the repayment plan, Barclays informed her that they wouldn't be able to reopen the account or provide the bank card and access to the mobile app she wanted.

Ms G was unhappy with this as, had the account not been closed in October 2021, then she would've still access to these facilities.

Barclay's confirmed that the account was closed in October 2021 and wouldn't be reopened. Because of this, they unable to provide a bank card (or access to the mobile app). But they clarified the options available to Ms G for repaying the debt being either:

- Set up the R plan which has a maximum repayment term of five years. Due to the amount owed, Ms G would need to pay more than the £30 per month. If this option is chosen, arrears would continue to be reported to credit reference agencies until it was repaid.
- Set up an interest free loan to repay the amount owed on the current account. This loan can however be set up over a longer repayment term, thereby allowing lower payments such as £30 per month. And as the current account debt would be repaid, it would mean arrears wouldn't be reported.

Ms G remained dissatisfied with the situation, refusing to repay the debt unless the account was reopened and banking facilities provided. She said it wasn't her fault that the account was closed but rather, it was due to bank error. So, she wants to be returned to the situation she was in prior to the account being closed.

Our investigator explained to Ms G that Barclays can close an account if they no longer want to maintain the relationship. As an agreement couldn't be reached, the matter has been referred to me to decide.

I understand Ms G has raised additional concerns about the collection activities for the debt, from both Barclays and an agent acting on their behalf. I won't be considering these concerns in this decision. Ms G will need to raise this as a separate complaint, if she hasn't already done so, before the Financial Ombudsman can consider it.

### **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 want to firstly reassure Ms G that I've given careful consideration to everything she's said in support of her complaint. I realise her frustration with what's happened and I don't underestimate the importance of this matter to her. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. Having done so, I've reached the same outcome as our investigator and I think the options proposed by Barclays are fair. I'll explain why.

Barclays has agreed to remove the default they reported to credit references agencies. I think this is fair in the circumstances and so I don't intend to comment on this further. The issue at hand however is the setting up of the repayment plan as Ms G argues that Barclays should re-open her account and provide the banking facilities she previously had. Ms G says the Financial Ombudsman has the powers to tell Barclays to do this.

I've given this careful consideration but I don't think that would be appropriate here. While I accept Ms G was given a bank card and access to the mobile app prior to the account closure, this doesn't mean Barclays are obligated to provide these services going forward. This is because, generally, a Bank can commercially decide what banking services (if any)

they wish to provide their customers – with any account closure subject to being handled in line with the account terms.

In Ms G's case, I'm aware that Barclays wrote to her in June 2021 providing the two months' written notice required. Ms G was therefore put on notice this may happen. That said, I appreciate the account closed several months later and after a repayment plan had been agreed. So, understandably, Ms G wouldn't necessarily have expected it to have happened at the time – particularly as she was in discussions about trying to make the payment. But even if I were to conclude that Barclays should revert Ms G back to the position she was in prior to the account closure, Barclays would nevertheless be within their right to remove the banking services. I therefore don't think this would be of any benefit to either party. And so, I don't think it would be reasonable for me to direct Barclays to do so.

Furthermore, I think it's also relevant to add that the closure of the account hasn't limited Ms G's day to day banking services. This is because, at the point of closure, the account was overdrawn and there weren't funds available for Ms G to use. I appreciate Ms G may have found a bank card and access to the mobile app useful so that she could pay money into the account, but I don't think these services are a necessity for the debt to repaid.

The amount owed on the account needs to be paid. Barclays has presented two options to Ms G. I consider these options reasonable given they give Ms G flexibility to choose the term, and the amount, she wants to repay it over. It's therefore for Ms G to decide which option is most suitable for her circumstances. When agreeing the repayment method, Barclays should take into consideration Ms G's financial situation and what is affordable to her.

I've also considered Ms G's claim that she was told the interest on her account would be frozen in December 2020, when there was a collections hold put in place due to an ongoing complaint. Unfortunately, the call recording isn't available and so I can't be sure what was discussed at the time. The call note also doesn't make any reference to account interest either. So, although I've considered Ms G's testimony, I'm afraid there isn't any evidence to support it. Because of this, I can't fairly conclude Barclays agreed to stop charging interest on her account. Therefore, in the absence of anything to show otherwise, I think it was reasonable for Barclays to administer Ms G's account in line with the account terms. It follows that I consider it was reasonable for interest to be applied.

The matter has however caused Ms G trouble and upset that could've been avoided, as accepted by Barclays. This includes the default being incorrectly reported to credit reference agencies, the poor branch experience when Ms G tried to make the £30 payment and the time spent trying to resolve the matter with Barclays. I've thought about what amount of compensation is fair and I think £500, as recommended by our investigator, is a reasonable figure. I'm therefore not increasing it any further. I understand Barclays has already paid this and, if so, then no further payment will be needed.

I appreciate Ms G's strength of feeling on this matter but I think the options put forward by Barclays are fair. And I don't think they're required to reopen the bank account as part of any agreement for the debt to repaid.

### **My final decision**

My final decision is that I uphold this complaint. I direct Barclays Bank UK PLC to:

- Remove the default that was reported to credit reference agencies.
- Set up a repayment plan in line with the options put forward by Barclays Bank UK

- PLC, as per above, taking into account Ms G's financial situation.
- If they haven't already, pay Ms G a total of £500 compensation.

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

Daniel O'Dell  
**Ombudsman**