

The complaint

Mr W complains that Clydesdale Financial Services Limited trading as Barclays Partner Finance (BPF) defaulted his loan account.

What happened

In October 2016, Mr W took a loan of £4,921.70 from BPF. It was arranged through a retailer for the purchase of a kitchen. With interest added, the total payable was £9,374.40. Payments were £156.24 over 72 months. If the loan was repaid within the first 12 months, no interest was payable. It wasn't, and Mr W became liable for the interest. Between 2017 and 2019, some payments were missed or were late but were made up. In 2020, two payments were missed so that in April 2020, the arrears were two months (£312.48). In May 2020, BPF sent Mr W a Notice of Default – which said the arrears (then £468.72 – three months) must be paid by 1 July 2020 to avoid default.

In June 2020, Mr W asked for a three-month payment holiday under the FCA's support scheme, and BPF agreed to this. No more payments were made after the payment holiday ended. A default was registered on Mr W's credit file in September 2020. The loan was passed to a debt collection agency. In February 2022, the balance was the same as when it was defaulted (£5,155.92) and the arrears had increased to £3,124.80.

Mr W had made a complaint to BPF which said that he was mis sold the loan. He said that the retailer's salesman had misrepresented the product – and said it was interest free. BPF responded to that complaint in November 2020 and said that Mr W had signed the loan agreement and its terms were clear. They said his complaint should be made to the retailer. On this aspect, our investigator said BPF dealt with Mr W's complaint fairly and agreed with BPF. Mr W accepted that. So – this decision doesn't look at that part of Mr W's complaint.

But – Mr W complained that he spoke to BPF during his initial complaint; and they agreed that he didn't have to make any payments to the loan while his complaint to this service was ongoing. Neither would his loan be defaulted because of that. This decision looks at this complaint. Mr W said he spoke to BPF on several occasions, but it was clear that the call handlers were working from home and he wasn't surprised that his calls weren't recorded. Mr W wants the default to be removed from his credit file.

BPF said they had no record of such a conversation. They said the last payment to Mr W's loan was in February 2020. He had a payment holiday which covered the months of June 2020 to August 2020, but since then no further payments had been made. Arrears had therefore increased and a default marker was applied to Mr W's credit file on 29 September 2020. BPF apologised for not dealing with Mr W's complaint in a timely way and for that, offered compensation of £100.

Mr W rejected BPF's offer and brought his complaint to us. Our investigators said they couldn't see that Mr W had contacted BPF in the way he said, and there wasn't any record that a default wouldn't be applied. But – she said that because Mr W was already in arrears at the time of the payment holiday, he shouldn't have been given it – as that wasn't part of the scheme's rules. That meant he'd been charged interest for three months, when he was

in financial difficulty. She said BPF should've agreed a solution with him which involved an interest-free period. She said the interest for the PH should be refunded, and the date of default changed to July 2020 – as she thought it was unlikely that he would've brought the account up to date by then.

Mr W didn't agree. He maintained he had spoken to BPF and they'd agreed to not default his loan. He asked that an ombudsman look at his complaint.

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.

Where the information I've got is incomplete, unclear, or contradictory (as some of it is here) I must base my decision on the balance of probabilities. That is – what's more likely than not to have happened in all of the circumstances here, based on the available evidence. I say that because Mr W says he did contact BPF in the way he says; whereas BPF have no such record of that.

We asked BPF for a copy of all call recordings they had. They gave us two calls in October 2021 and then in February 2022 – but neither of those were relevant to the outcome of Mr W's complaint. On each one – Mr W said he was awaiting the outcome of his complaint to our service. On the first call, Mr W did say that BPF had agreed to not default this loan while his complaint was being considered – but BPF's call handler didn't respond to his comment.

BPF agreed that not all calls were recorded for a period – because of the effect of the pandemic and the need for staff to work from home. But they also told us that a 'stamp' was automatically recorded on Mr W's file if a call was made – and there wasn't any such marker for the period between January 2020 and October 2020. So – there wasn't any such contact from Mr W. I looked through the contact notes in BPF's records and they showed the same thing – there wasn't any contact from Mr W. Mr W has shown us an email he sent to BPF on 19 November 2020 – in which he asked that his payments were suspended while his complaint was being looked at. But there's no record in BPF's files of this, or a reply.

We noticed that BPF's notes mentioned 'hold points' – and I wondered if these showed they'd agreed payments could be suspended. But they told us they were simply to hold off contacting Mr W about payments as he had indicated he was in financial difficulty. This would've been common practice.

I also thought about whether such an agreement would've been probable – and I have to say it would've been very unusual for BPF to agree to defer default action because of a complaint – especially as by September 2020, there were four months' arrears. On 1 September 2020, BPF wrote to Mr W to ask him to contact them to resume payments, and re-establish a direct debit – but I can't see from BPF's records that he did so.

And so – on the balance of evidence that I've seen, I can't conclude that there was an agreement by BPF not to default Mr W's loan.

I then looked at the payment holiday that BPF agreed in June 2020 – as Mr W's income was affected by the pandemic.

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 BPF, had to put in place 'payment holidays' on many credit agreements, including loans – 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.

The intention of the scheme 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. What that meant was that if there were pre-existing arrears, then a payment holiday wouldn't normally be agreed.

In June 2020, Mr W had arrears of £468.72 – as BPF had sent a Notice of Default for that amount. That was three payments. And so – I think it's reasonable for me to say that a payment holiday should not have been given, because the arrears indicated that Mr W was in financial difficulty – and a better solution would've been for BPF to agree a period of reduced payments with zero interest. This would've been consistent with the obligations of firms to support customers in financial difficulty. And so – on that aspect, I agree with our investigator that interest for the three months of the payment holiday should be refunded to Mr W's loan account. And – given that he was already three months in arrears, it's likely that the default would've taken place anyway – and it should therefore be backdated to July 2020. This will mean that the six-year period – during which time the default will remain on Mr W's credit file – will run out earlier than it would otherwise have done.

I appreciate that my final decision will come as a disappointment to Mr W. But I'm not going to ask BPF to remove the default. But BPF should refund the interest for the three-month period of the payment holiday and backdate the default to July 2020. If Mr W wishes to receive the compensation offered by BPF (£100), he should contact them. We asked BPF about the status of Mr W's loan. In July 2022 – it was being managed by BPF and has been taken back from the debt collection agency. I would encourage Mr W to engage with BPF in order to agree a mutually agreeable repayment schedule.

(continued)

My final decision

I uphold this complaint. Clydesdale Financial Services Limited trading as Barclays Partner Finance must:

- Refund interest payable on the loan for the period of the payment holiday (June 2020 to August 2020).
- Backdate the default to July 2020.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 September 2022.

Martin Lord
Ombudsman