

## **The complaint**

Mr C complains that MBNA Limited have not treated him with forbearance when his credit card account was in persistent debt.

## **What happened**

Mr C says MBNA repeatedly refused to reduce his credit card account interest rate to 0% while he was in persistent debt and he told them he was struggling to pay off the principal. He said that they had permanently reduced the interest rate on his other MBNA credit card account to 0% due to it being in persistent debt, so felt the same should be applied to this account.

MBNA explained that as Mr C's credit card account had not been in persistent debt for 36 months, it was not yet able to assist him by reducing or waiving the interest rate or waiving fees and charges. And it said that if Mr C's account did reach 36 months of persistent debt, there was no guarantee that the outcome would be to permanently reduce the interest rate to 0%. It explained that it had reduced the interest rate on his other credit card account without assessing his circumstances first, which was an error. But as the error benefits Mr C, they decided not to amend it. MBNA did award Mr C £300 compensation for communication issues while dealing with his complaint which I understand it has already paid to him.

Mr C remained of the opinion that MBNA should commit to permanently reducing the interest rate on his credit card account and referred the complaint to our service. Our Investigator looked into the complaint and felt that MBNA had followed the correct process in the circumstances. They said that MBNA have specific timescales for when they can assist a consumer with persistent debt, which MBNA followed. They also explained that following a recent review by MBNA, Mr C's credit card account was no longer in persistent debt and if he was still struggling with repayments he should contact the financial assistance team to discuss his options. Finally, they agreed that the £300 compensation awarded to Mr C was fair in the circumstances.

Mr C disagreed with the outcome and pointed to guidance in the Financial conduct authority handbook (CONC) which he felt showed MBNA had not acted appropriately. As an informal agreement could not be reached the complaint has been passed to me for 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.

Having done so, I agree with the Investigator for largely the same reasons. I think MBNA has followed the correct process and acted in line with regulatory guidance. And I think the £300 it has offered and paid for the communication issues it had with Mr C during the complaint process is fair in the circumstances. I'll explain why in more detail.

I've firstly considered the relevant guidance that Mr C has mentioned. The FCA set out a package of rules and guidance entitled 'Credit cards: persistent debt' – set out in CONC

6.7.27R to CONC 6.7.40G which came into force in March 2018. As part of this package of rules and guidance the FCA defined persistent debt as where a customer, over a period of 18 months, pays more in interest, fees and charges than they have repaid of the principal balance on their card.

Mr C has said that as soon as his account fell into the category of persistent debt, MBNA had an obligation to treat him with forbearance and assist him by reducing the interest rate on the account to 0%. CONC states that at 18 months of persistent debt, credit card providers are required to write to customers. Should they remain in persistent debt for 27 months, they should notify customers that they are in persistent debt and encouraging them to pay more. And if a customer doesn't take sufficient action and remains in persistent debt after 36 months, the rules require a credit card provider to help a customer repay more quickly in a way that does not adversely affect their financial position – typically by setting up a repayment plan over a reasonable period of time. And this could include reducing or waiving the interest rate on the account as well as waiving fees and charges but is not guaranteed.

Looking at the relevant rules, I don't agree that MBNA had an obligation at 18 months of Mr C's account being in persistent debt to take action to help Mr C pay his debt more quickly. As MBNA has explained in its correspondence to Mr C, that obligation begins when the account has been in persistent debt for 36 months. Because of this, I do not think MBNA has made an error when it explained to Mr C they would review his credit card account shortly before it fell into the 36 month category of persistent debt or when it has declined his requests to reduce the interest rate on the account.

I note that following a review of Mr C's credit card account, it was found to no longer be in persistent debt. I reviewed the relevant statements and am satisfied that prior to Mr C's account reaching 36 months of persistent debt, he had reached a period of 18 months in which he had paid more towards the principal of the debt than he had paid in interest, fees and charges. The account was therefore no longer classed as being in persistent debt. Overall, I think MBNA has acted reasonably in reviewing the account when it did.

I note that Mr C has mentioned on several occasions to MBNA that he was having problems maintaining the minimum payments on the account. And MBNA has provided contact details for its financial assistance team each time, as well as contact details for various organisations who can provide free and independent financial advice. This is what I would have expected it to do in the circumstances so I think it has taken reasonable steps to offer financial assistance to Mr C. It was then up to him to contact the financial assistance team and go through his income and expenditure to see how they were able to help him with his payments moving forward.

I can see that MBNA has paid Mr C £300 compensation because they could not locate a letter they had sent him in relation to his other credit card account, meaning Mr C had to send it into them. This had caused some confusion and was an inconvenience to Mr C. Having carefully considered this, I think this is a fair offer for the inconvenience the error caused. I appreciate that Mr C has requested £500 for MBNA not treating him with forbearance when he was in persistent debt, but I've explained above why I think MBNA has acted reasonably in the circumstances. So I do not think a further award is necessary.

### **My final decision**

I do not uphold Mr C's complaint against MBNA Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 March 2023.

Rebecca Norris  
**Ombudsman**