

The complaint

Mr S says MBNA Limited unfairly defaulted his credit card account.

What happened

Mr S failed to make the minimum monthly payment on his account from March 2020. He spoke to MBNA in June 2020 explaining he was having financial difficulties due to the impact of the covid pandemic on his income. MBNA gave 30 days' breathing space and asked Mr S to call back in July. He did so on 21 September 2020 and MBNA gave a further 30 days' breathing space. It told Mr S missed payments would be reflected on his credit file. A month later Mr S called to advise he could not afford to make repayments until January 2021. As MBNA warned there was a risk Mr S's account would default he offered £50 monthly repayments, but MBNA did not accept this. It placed a 60 day hold on his account.

Mr S called on 26 October 2020 to advise he would have funds from the sale of his business by January 2021. On 18 November 2021 he offered to pay £100 a month but didn't have the time to complete a revised income and expenditure form. MBNA did not accept this offer and advised the account would remain in arrears and in time default. On 1 January 2021 it issued a default notice asking for £835.97 by 19 January 2021. Mr S paid £450 on 18 January 2021 and so the account defaulted. He paid a further £600 on 28 January 2021. He said it was unclear what he needed to pay to avoid defaulting. This has caused him stress and impacted his mental health.

Mr S says he wants MBNA to remove the default, to buy back the debt and allow him to make payments to it directly. He asks for compensation for the distress this had caused.

Our investigator did not uphold Mr S's complaint. She said overall MBNA had treated Mr S fairly in the circumstances. She thought, in line with covid guidance from the Financial Conduct Authority (FCA), MBNA ought to have applied a three-month payment deferral to Mr S's account in June 2020, backdating it to run from March to August 2020. But as MBNA applied breathing spaces, tried to look at Mr S's revised income and expenditure but could not agree an affordable repayment plan, and signposted him to debt management charities she felt it had acted reasonably. And Mr S would most likely not have been in a materially different position had MBNA applied the recommended payment deferral.

She noted Mr S had not made the minimum payment from September to December 2020. And the timing of the default was in line with industry standards. She found the notice was clear what Mr S needed to pay and by when. She noted MBNA had referenced the second payment when reviewing Mr S's complaint, albeit one day after receipt. But she didn't feel this payment should have reversed MBNA's decision or actions.

Unhappy with this assessment, Mr S asked for an ombudsman's review. He said he did not agree with MBNA's approach to send the entire balance to a debt collections agency on 25 February 2021 given it received full payment by 28 January 2021.

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 am not upholding Mr S's complaint. I will explain why.

I have set out the facts of this case above. They are not in dispute. But what remains for me to decide is whether it was fair for MBNA to default Mr S's account and to transfer the balance to a debt collections agency.

I am satisfied MBNA acted reasonably. Whilst not precisely following the FCA's guidance MBNA gave three periods of breathing space to Mr S, tried to set up an affordable payment plan and signposted him to debt management charities. Mr S's account fell into arrears when he did not make his contractual payments from September to December 2020, and a payment plan had not been agreed.

So it was fair for MBNA to start the process to default Mr S's account. And he did not do what was required to stop the process. Mr S says he was given the impression he could make smaller repayments to clear the debt. But I find the notice was clear what he needed to pay (the total amount of arrears) and by when. And it seems, from the contact notes provided, that so was MBNA's advice about the impact of not making payments on the calls it had with Mr S over the months before his account defaulted. It says it also confirmed this by letter on 18 December 2020.

Mr S raised that he never received the default notice, but I note from the contact notes MBNA supplied that he called in on 14 January 2021 specifically because he had received it.

MBNA was under no obligation to undo the process after it later received a second payment after the deadline. And it did not need to get Mr S's agreement, as he says it failed to do, to either default his account or to transfer his debt to a third-party. The terms of the agreement, that he accepted, allow it to do this.

I am sorry Mr S has found the whole matter stressful, and that his income was adversely impacted by the pandemic. But for the reasons set out above I can't fairly conclude MBNA did anything wrong that it needs to correct.

My final decision

I am not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 November 2022.

Rebecca Connelley
Ombudsman