

The complaint

Mr J is complaining that Barclays Bank UK PLC trading as Barclaycard treated him unfairly when his account fell into persistent debt.

What happened

Mr J had a credit card account with Barclaycard.

Mr J had a credit limit of £1,600 and made the majority of regular payments on time. Mr J's statements show the payments were the minimum payment due to the account, and Mr J also had late payment fees applied to the account. This pattern continued into 2019 when Mr J experienced some financial difficulties. At this stage Mr J missed payments and arrears accrued on the account. Mr J was able to bring the account up to date in April 2019.

In June 2020, Barclaycard provided Mr J with details of how to enter into a repayment plan to clear the outstanding balance as it considered Mr J's account was in persistent debt. But Mr J did not consider this necessary and he didn't want this to affect his credit file.

Mr J raised a formal complaint about the handling of his account. Mr J says Barclaycard has treated him unfairly as he is not a financial risk, and he has managed to maintain his repayments. Barclaycard reviewed Mr J's concerns and explained it had acted in line with regulatory guidance. Mr J's card was suspended in November 2021, and he asked for an assurance from Barclaycard that it will be re-activated. Barclaycard said it was not able to provide this type of assurance, as it needed to be satisfied Mr J was no longer in persistent debt before the card could be re-activated.

Dissatisfied with the response from Barclaycard Mr J referred his complaint to our service. An Investigator reviewed Mr J's concerns and explained why they thought Barclaycard had acted reasonably. Mr J remained unhappy and asked for an ombudsman to review 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.

In keeping with our role as an informal dispute resolution service and as our rules allow I will focus here on the points I find to be material to the outcome of Mr J's complaint. I understand this complaint has been a source of worry and frustration for Mr J. But based on the evidence I have seen I am not upholding Mr J's complaint. I'll explain why.

The Financial Conduct Authority's (FCA) persistent debt rules are set out on the FCA handbook, CONC 6.7.27. They say (in summary) that firms such as Barclaycard must look at the accounts of borrowers to ensure they're reducing their debts and therefore, not paying too much interest. And so – where a borrower is paying more in interest and fees than they are paying towards reducing the amount of the debt, then a repayment plan should be put in place to deal with this. And, where this can't be agreed, the card may be suspended – to

stop customers from increasing their debts further. The intention of the rules is to ensure that customers are protected from paying too much interest – and in some cases, never actually repaying their debts. This typically happens if customers only pay the minimum amount each month, while still spending on their cards.

In Mr J's case I can see that he had a limit of £1,600 and based on the statements I have seen the balance was often close to this limit. Mr J says that on the whole he has been able to meet the repayments on the card and has managed to avoid missing payments for long periods of time. I don't dispute this – other than a few occasions when Mr J experienced financial difficulties he was able to maintain the card repayments. But the key point is that Mr J often pay the minimum amount, meaning he was not making any progress in reducing the overall debt. Persistent debt regulations require a lender to take a holistic approach which takes into account the long-term impact of making minimum repayments. I appreciate Mr J has endeavoured to maintain his card repayments, but it was apparent to Barclaycard that patterns were emerging which required intervention. Given what I've seen about the activity on Mr J's account I'm persuaded that Barclaycard were correct to deem Mr J's account as being in persistent debt.

Barclaycard has shown that it sent a great deal of correspondence to Mr J about his account being regarded as being in persistent debt. Barclaycard outlined the repayment amounts he could make to work towards reducing his borrowing. I find this approach to be in line with the regulatory guidance. Ultimately Barclaycard was obliged to help ensure Mr J was reducing his outstanding balance.

Mr J says he was sent a letter in March 2020 from Barclaycard explaining he had come out of persistent debt. Mr J had been through a period of making significant repayments to reduce his outstanding balance. This was a positive step, and I think it was reasonable for Barclaycard to inform Mr J of this development. However, by June 2020 Mr J's account showed signs of on-going issues and he re-entered persistent debt.

Mr J says the regulations require a period of 36 months of more being paid in interest and charges than the principal balance for an account to be deemed as in persistent debt. And that the 36-month clock should be reset to take into consideration the fact he came out of persistent debt. I understand Mr J's comments, but businesses such as Barclaycard are required to take a pragmatic approach that takes into account the possibility of an account struggling again. The guidelines are not entirely prescriptive, and businesses are expected to exercise a degree of judgement based on an individual account. In Mr J's case after March 2020 and into 2021 the statements show he was continuing to regularly pay more in interest and charges than he was against his principal balance. So, I'm persuaded that Barclaycard had a responsibility to consider the account as in persistent debt again. Mr J says he wasn't sent the relevant notifications from Barclaycard but looking at its system notes I can see regular communications were sent to Mr J about his account and the steps he needed to take. So, I find Barclaycard did enough to let Mr J know it was treating his account as in persistent debt here.

Overall, I'm satisfied Barclaycard followed the regulatory guidelines for cases of persistent debt, as it is obliged to, and as this did not result in an agreed payment plan it suspended Mr J's account. I do not find Barclaycard did anything wrong that it needs to put right.

It's also worth saying that Barclaycard have told Mr J in its final response letter that, if he contacts its persistent debt team, it will consider removing the suspension of his credit card account, if an agreeable way forward can be achieved. Mr J's spending on the card indicates he relies on this line of credit, so I think it would make sense for that discussion to take place. I understand Mr J's reluctance as he does not want the repayment plan on his credit file, but I'm satisfied this is a fair and reasonable way forward here for both parties.

So overall and having considered everything, I don't think that Barclaycard has treated Mr J unfairly and I'm not upholding this complaint. I appreciate this will be very disappointing for Mr J as he clearly feels strongly about the matter. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I don't uphold the complaint.

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

Chandni Green
Ombudsman