

The complaint

Ms P complains that Barclays Bank UK PLC (trading as Barclaycard) defaulted her account and took payments when it said it wouldn't.

What happened

Ms P says that:

1. Barclaycard blocked her account even though she paid the sum needed to take the balance below the credit limit;
2. Payments were taken during the 60 days she was given to provide an income and expenditure analysis when requesting an extension of her payment holiday. She says Barclaycard told her a refund of the payments would result in a default on her account;
3. When she couldn't see her credit card on her app she was told her account had been defaulted, even though she hadn't received any notification. She adds that this also prevented her from managing her account.

Ms P says she has been making regular payments and the situation has caused her hardship as well as affecting her mentally.

Barclaycard says it agreed two payment holidays with Ms P before her account returned to its contractual terms in January 2021. It says the account went over its credit limit that month and, following an income and expenditure analysis which showed Ms P had negative disposable income, the account was suspended. Barclaycard says the account was placed on hold for 30 days to allow Ms P to liaise with a debt charity. On 3 February 2021 Ms P advised that she had a debt charity working on her behalf and so Barclaycard issued a 60-day default notice and said it would cancel her direct debit. It says that after it requested the debt charity's repayment offer on 8 March 2021, the account was closed and a default was applied to Ms P's credit file.

Barclaycard says the default was correctly applied but it did apologise for continuing to collect two monthly direct debits, both of which it offered to refund.

Our investigator recommended the complaint should be upheld. He found that Ms P paid her minimum monthly repayments in March and April 2021, following the termination letter in February 2021, so did not agree the account should have been defaulted. He was satisfied Ms P's financial situation had improved and that she would work with Barclaycard to repay the balance. Our investigator recommended that Barclaycard should remove the default and pay Ms P £150 for the trouble and upset it caused.

Barclaycard accepted the investigator's view.

Ms P responded to say, in summary, that £150 was too little compensation for the effect on her mental and physical health for 15 months – she says she was hospitalised with symptoms linked to stress. She adds that she could not apply for credit to start her business, or move to a smaller home or buy a cheaper car – all due to credit checks. Ms P also says that she had paid money onto the card with the intention of using it to buy food when Barclaycard suspended her account. She says she also made it clear that she didn't want her account to default when Barclaycard offered to refund the direct debits.

Ms P explained that as a result of Barclaycard's actions she was forced to borrow from friends and family which made her feel very "*dishonoured*". She says as a single mum of two teenagers, one of which has physical and mental health issues, she cannot fully commit to working outside the home. She says she lost her job in a restaurant when the pandemic hit and was expecting the same assistance from Barclaycard that she'd received from Barclays Bank.

In summary, Ms P calculated that compensation of over £7,000 seemed fair and maybe writing off the debt entirely would not be unreasonable.

Following the further information from Ms P, our investigator reviewed the compensation figure and increased his recommendation to £350 for:

- Continuing to block the account once Ms P had brought it up to date which left her with no money for food that month;
- Taking payments from Ms P whilst the account was on hold;
- Prematurely defaulting the account.

Barclaycard accepted the increased compensation recommendation.

Ms P further responded to say that she had not applied for further credit based on advice from this service that such applications could have a further detrimental effect on her credit file. She adds that another complainant was offered £750 compensation for having his account defaulted without notice.

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.

As Barclaycard has agreed to remove the default from Ms P's account, I don't need to consider that aspect of Ms P's complaint any further. Both parties agree that is fair, so I'll focus on what Ms P remains unhappy with here, which is the amount of compensation being offered.

In doing so I've considered in detail Ms P's circumstances, the effect this has had on her and her own arguments regarding the level of compensation. I want to start by saying that it is clear to me that Ms P is an extremely proud person who takes her responsibilities, both

financially and otherwise very seriously. Given the demands of her family, especially her daughter, Ms P was working very hard to juggle her various responsibilities before the pandemic hit and she lost her job in a restaurant.

When Ms P's payment holidays finished in January 2021, Ms P received correspondence on 14 January to tell her she was £33.43 over her credit limit and that she could not use her card. I have seen a copy of this, and it clearly says, *"When your account is up-to date and your payment has cleared, you'll be able to use your card again."*

Ms P's minimum payment, of £294.83, was due on 8 February 2021 but, as a result of this letter, I can see Ms P paid that amount on 15 January 2021. She says she was planning to use the card to pay for food for herself and her children following that repayment, but the card remained blocked. Ms P says this resulted in her having to borrow money and her children needed to eat at their father's. I have no doubt this caused her significant distress and embarrassment as, reasonably, she was relying on the wording in the letter.

I accept that Barclaycard had carried out an income and expenditure analysis at the time and suspended the account due to her negative disposable income, but, at best, Ms P was misled when she made that payment into her account. I'm satisfied that had Ms P been told the account would remain suspended, she would not have made the payment when she did and would have been saved the distress caused by being unable to feed her children. So I find she should be awarded compensation for this. I acknowledge that Ms P says she should also be refunded that payment, but ultimately this was used to reduce the balance on her account so any such refund would result in the balance increasing again, which I don't think would be helpful here.

I've also seen evidence to show that Barclaycard agreed to suspend Ms P's direct debits when it sent her the 60-day termination notice on 3 Feb 2021. This didn't happen and March and April payments were taken as normal. I consider Ms P was also given misleading information about what would happen if they were refunded, especially given the account was defaulted despite these payments. For this, I also consider Ms P should also be compensated.

Ms P says she should also be paid the 15 monthly payments she would have made had the account not been defaulted - a total of almost £4,000. I understand that Ms P is saying her balance would be smaller by that amount, but I cannot conclude that is a financial loss to Ms P. I say that because Ms P has had the benefit of the £4,000 over those 15 months and so will have used it in other ways.

Additionally, Ms P says she has been adversely affected by the default financially because she hasn't been able to move to a smaller house or buy a more cost-effective car due to the checks that would have been carried out. Much as I sympathise with Ms P's situation, and I acknowledge that she was advised further credit applications might worsen her credit score, I need to be certain that the default was a direct cause of any potential financial impact and I haven't seen evidence of that being the case. Similarly, I can't conclude that the default was responsible for any financial detriment as a result of the effect on Ms P's plans for a new business.

So, I do find Ms P is entitled to compensation for the account remaining suspended, the failure to cancel the direct debits, the prematurely applied default and the effect of the whole situation on her mental and physical health, but I consider £350 to be fair and reasonable in all the circumstances.

I note that Ms P has cited a case she finds to be similar and the complainant in that case was awarded £750. I must consider every case on its individual merits and so I cannot comment on the circumstances of the other case. Instead I have to focus on the individual circumstances of her complaint here. Having done so, I'm satisfied that £350 is fair for the impact this had.

Finally, Ms P should note that she will be subject to her original contractual repayments once the account is no longer in default. I acknowledge that she now has a new job, but if she struggles to keep up with such repayments, Barclaycard is entitled to default the account again which will result in a negative impact on Ms P's credit file for a further six years from the new default date. That said, Barclaycard also has an obligation to treat Ms P positively and sympathetically if she experiences financial difficulties again in future.

My final decision

My decision is that I uphold Ms P's complaint. Barclays Bank UK PLC (trading as Barclaycard) should:

- Remove the default from Ms P's account, as it has agreed to do;
- Pay Ms P £350 for the trouble and upset it has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 22 November 2022.

Amanda Williams
Ombudsman