

## The complaint

Miss D complains that Barclays Bank UK PLC held her liable for credit card transactions she says she didn't make, which led to her entering into an IVA. She'd like the transactions refunded and compensation.

## What happened

Miss D held a credit card account with Barclays. In 2016 she made them aware that she had been a victim of domestic and financial abuse, and several transactions on the account weren't carried out by her. At the time Barclays didn't agree to refund the transactions, saying it was a civil matter. The credit card account defaulted, and the debt was passed to a debt collection agency.

In 2018 Miss D entered into an IVA to deal with her accumulated debts. The IVA made three payments to Barclays in relation to the credit card debt – one in 2018 and two in 2020.

In 2021 Miss D complained to Barclays about the decision to hold her liable for the debt. Barclays agreed to refund £112.40 as they felt they shouldn't have increased her credit limit. After further consideration Barclays issued a revised financial response saying they should have recognised the context of Miss D's dispute. They paid her £500 compensation, agreed to write off the debt and remove any adverse information from her credit file.

Miss D didn't think this was fair, saying it was because of this dispute that she had to enter into her IVA agreement. She referred the complaint to our service. Our investigator gathered some more information about what happened and spoke to Miss D's IVA supervisor. Overall, the investigator felt that the complaint should be upheld. They accepted that Barclays should have carried out a more thorough investigation into the dispute when it was raised but didn't feel the decision to enter into the IVA could be solely put down to the debts on the Barclays credit card. But she felt there was more Barclays could have done to put things right.

The investigator suggested Barclays:

- Refund the payments Miss D had made towards the disputed debt, £633.83, plus 8% simple interest from the date of payment to the date of settlement.
- Refund the amounts Miss D had paid towards the debt through her IVA. This totalled £931.08. As the dates of these payments weren't known the investigator suggested dividing the total in three, and Barclays paying 8% simple interest from 1 July each year for each third.
- Paying Miss D an additional £350 on top of the £500 already paid, for a total of £850.

Barclays accepted this as a resolution. But Miss D didn't think this reflected the impact on her – she said if Barclays hadn't increased her credit limit originally then this money wouldn't have been spent. She said if it had been accepted as fraud in 2016, she wouldn't have been forced into the IVA. She asked for Barclays to increase the compensation amount substantially. She sent us further information about her circumstances at the time. But the investigator felt the outcome was fair and didn't change their mind.

As no agreement could be reached the case has been passed to me to decide.

### **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.

Firstly, it's clear that both parties accept that the way Barclays handled Miss D's initial claim in 2016 wasn't appropriate, and that this was unfair to Miss D. Barclays have also accepted they shouldn't have allowed her credit limit to be increased. I agree with this, so the key question for me to consider here is what must be done to put things right for her.

Barclays have now agreed to write off the debt and removed any negative information from her credit file. But I'm minded that this should have been done when Miss D first reported the disputes to Barclays. As it wasn't Miss D has had to make additional payments to the debt – first directly to Barclays and later through her IVA.

I'm satisfied that it's fair that Barclays refund the payments made directly by Miss D. As these are funds she has been deprived the use of, I'm also satisfied it would be reasonable to add 8% simple interest from the date of payment to the date of settlement.

There is an argument that the payments made through the IVA don't represent a loss to Miss D. If the Barclays debt hadn't been included in the IVA it's possible the amounts would simply have been applied to other debts. But I recognise that these are amounts that Miss D has paid and have been applied to the Barclays debt. Barclays have also offered to refund these to her, along with 8% simple interest. On that basis it's not unreasonable for them to be refunded.

The date and specific amounts of the payments made to the debt through the IVA aren't known – beyond the total amount, and that one payment was made in 2018 and two in 2020. Barclays doesn't have a record of this, and Miss D was just paying a single monthly amount to her IVA practitioner. As it can't be precisely known when to start the 8% interest payments from, I think the suggestion of dividing the full amount by three, and then starting the interest awards from 1 July 2018 for one third, and 1 July 2020 for two thirds is reasonable. This ensures that Miss D hasn't lost out financially.

I've also gone on to consider the wider impact on Miss D, and I thank her for the information she's shared about her circumstances at the time the transactions took place, and when she entered into her IVA. She was in a difficult situation, and Barclays handling of her dispute and lack of sympathy will have only added to the distress she was feeling at the time. Taking everything together I think she is due compensation from Barclays.

I've carefully considered Miss D's allegation that Barclays forced her into her IVA, but I don't agree this is the case. While I can see the debt to Barclays made up a significant portion of her debts, there were still several other debts unrelated to Barclays. These amounted to over £5,000. Miss D has said she could have come to arrangements with these other creditors which wouldn't have had the same impact on her credit file, or ability to gain credit. But I've also considered what she's shown us about her income at the time, and it seems unlikely to me that she would have been able to repay these debts in the short to medium term.

Miss D's IVA practitioner has also confirmed to our service that even if the Barclays debt hadn't been included, they would still have recommended the IVA. It's possible that Miss D may have made a different decision if the debt amount had been lower. So, I accept Barclays not carrying out a thorough investigation sooner made Miss D's debt larger than it was, but on balance I think it's more likely that Miss D would still have entered into the IVA

anyway. On that basis I can't fairly say that this is solely down to Barclays' actions, and I'm not asking Barclays to pay compensation on this basis.

Barclays have already paid Miss D £500 in recognition of their poor service. But taking in to account her circumstances at the time, and the difficulty she was facing, I'm satisfied this had a bigger impact on her and will have caused her considerable distress in the subsequent years. So, I'm satisfied this amount should be increased to reflect this impact. An additional £350, for a total of £850, is fair and reasonable in the circumstances.

### **Putting things right**

To put things rights for Miss D Barclays must:

- Write off the debt and remove any adverse information from Miss D's credit file about the credit card
- Refund the payments Miss D made towards the disputed debt – I understand this to be £633.83. Barclays should also add 8% simple interest per annum from the date of each payment to the date of settlement.
- Refund the amounts Miss D paid towards the debt through the IVA - £931.08. Barclays should add 8% interest per annum until the date of settlement. For one third of this amount this should be from 1 July 2018 and for the remainder from 1 July 2020.
- Pay Miss D £350 in addition to the £500 already paid to reflect the distress and inconvenience their poor handling of her claim and having to repay debt that wasn't due.

If HMRC require tax to be paid on the above interest Barclays should provide a certificate showing how much was taken, should Miss D ask for one.

### **My final decision**

My final decision is that I uphold this complaint, and direct Barclays Bank UK PLC to settle the complaint as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 12 January 2023.

Thom Bennett  
**Ombudsman**