

The complaint

Mr J complains that Barclays Bank UK PLC trading as Barclaycard waited too long to terminate his credit card account.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr J had a credit card with Barclaycard. No payments were made between May and September 2015 and Mr J's account fell into arrears. On 1 October 2015 Mr J made a payment of £50.

On 30 October 2015 Mr J agreed a payment arrangement of £76 for four months. Mr J also made a payment of £50. Barclaycard sent Mr J a letter confirming the arrangement and said the first payment of £76 was due on 7 November 2015.

Mr J made payments of £76 on 7 November 2015, 7 December 2015, 7 January 2016 and 8 February 2016 (7 February 2016 was a Sunday).

Mr J made the contractual monthly payment in March 2016. No payments were made between April and August 2016 but Mr J made a payment of £100 on 23 September 2016 but that didn't clear the full arrears balance. Mr J paid £20 in October 2016, against a requested payment of around £42, and missed November 2016.

From this point, Mr J made sporadic payments to the account until it was ultimately closed by Barclaycard in October 2017. A default was recorded on Mr J's credit file at this time.

Last year, Mr J complained that Barclaycard had waited too long to close his account and record a default on his credit file. Barclaycard issued a final response but didn't agree. Barclaycard said it had followed its standard process and waited until Mr J's account had missed at least six billing cycles before closing it and recording a default. And that only came about in late 2017, despite earlier arrears.

An investigator at this service thought Barclaycard had dealt with Mr J's complaint fairly and didn't ask it to do anything else. Mr J asked to appeal and has sent in detailed responses setting out why he feels Barclaycard waited too long. Mr J says his account wasn't being maintained in line with Barclaycard's terms and conditions so it should've taken the step of closing it much sooner. Mr J also said his account balance significantly exceeded the credit limit for several months which ought to have caused Barclaycard to act sooner. As Mr J has asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

I've been reasonably brief in setting out the background above as all parties broadly agree about the overall timeline. I want to assure Mr J in particular that I've read and considered everything he's sent in support of his case. Having considered everything, I agree with Mr J that Barclaycard waited too long to close his credit card and record the default. But I've reached a different view of when Barclaycard should've taken that step.

Mr J missed five consecutive payments in 2015. He made a £50 payment on 30 October 2015 and also agreed a payment arrangement with Barclaycard. The arrangement was that Mr J would make four consecutive payments of £76. Mr J's told us his first payment due under the arrangement was missed as it was for £50, not £76. But Barclaycard's letter dated 30 October 2015 confirmed the arrangement began on 7 November 2015 and a payment was received on that date.

The other three payments due under the payment arrangement were made on time. I note Mr J's view, but I'm satisfied he did comply with the arrangement agreed with Barclaycard.

With that being said, my view is that Barclaycard missed earlier chances to review Mr J's account history and take action. The Information Commissioner's Office issues industry guidance setting out how lenders should treat customers experiencing financial difficulties. It gives broad guidelines concerning when it's reasonable to record a payment arrangement or terminate an account on someone's credit file. The guidance says a business can consider closing an account and recording a default when it falls between three and six months behind. It also says businesses can agree a payment arrangement with a borrower to stop an account terminating and default being recorded.

Barclaycard's explained its standard process is to wait for six consecutive payments to be missed before it closes a credit card and records a default. But in the circumstances of Mr J's case, that led to various separate periods of sustained arrears of up to five months. Mr J agreed a payment arrangement to stop the account closing in October 2015. And, as noted above, I'm satisfied he met the terms of that arrangement. So I don't agree it would've been fair for Barclaycard to have closed his account in November 2015. But I do think Barclaycard should've reviewed Mr J's account in a different way when it quickly fell into arrears again. In my view, relying on the standard approach of reaching six missed payments before closing a credit card wasn't right for Mr J's circumstances.

Mr J made one contractual monthly payment, in March 2016, before five consecutive payments were missed. Mr J made a payment of £100 at the end of September 2016 which meant Barclaycard didn't take the step of closing his account. But in October 2016 Mr J was only able to pay £20 against a payment due of £42. Further arrears followed.

Mr J's described the payments he made in 2016 and 2017 as "token" and I think that's fair. Whilst some months he made payments in excess of the minimum, they aren't regular and others were missed entirely. In my view, this showed Mr J was unable to maintain the minimum payment in a sustainable way.

I also think it's fair to note that interest and charges continued to be applied to Mr J's account during a period of, what I think, was clear financial difficulties. Had the account been closed sooner, it would've reduced the amount Mr J was charged.

Based on everything I've seen, I intend to uphold Mr J's complaint and direct Barclaycard to backdate Mr J's default to August 2016. In my view, that's the point it should reasonably have been aware Mr J was unable to sustainably maintain repayments. I also intend to tell Barclaycard to refund all interest and charges applied to the debt from that date.

Both Mr J and Barclaycard confirmed it was willing to accept the provisional decision. Barclaycard said it had already refunded interest, fees and charges to Mr J's credit card as part of a separate remediation exercise and confirmed it would check whether further refunds are due.

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 both parties confirmed they're willing to accept, I'm going to proceed in line with my provisional decision.

Putting things right

To resolve Mr J's complaint, Barclaycard should:

- Refund all interest, fees and charges applied from August 2016 onwards (if it hasn't done so already)
- Amend the default date to August 2016 on Mr J's credit file

My final decision

My decision is that I uphold Mr J's complaint and direct Barclays Bank UK PLC to settle in line with the above guidance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 November 2022.

Marco Manente
Ombudsman