

The complaint

Ms L complains Barclays Bank UK PLC (Barclays) unfairly defaulted her loan account.

What happened

In December 2016, Ms L entered into a loan agreement with Barclays for £13,500. The loan was due to last 60 months ending in January 2021. She was required to pay monthly instalments of £338.

During early 2020, Ms L experienced financial difficulty and this was made worse by the impact of the Covid-19 pandemic. She was unable to afford the instalments. By way of support, Barclays agreed to a three month nil payment plan in May 2020 meaning Ms L didn't need to make any repayments between May and July 2020.

Following a review of her financial circumstances, Barclays agreed to a further nil payment plan in August 2020 as they considered her situation hadn't changed. Despite this, Ms L paid the monthly instalments.

Ms L made what she believed was the final instalment on 5 January 2021. On 6 January 2021, she received a notice saying she was £783 in arrears. The following month in February 2021, she was told the arrears was £1,032.

Ms L said she was confused by the increased arrears, she believed she only owed the equivalent of two months of arrears (around £783). She contacted Barclays for clarity but she wasn't satisfied with their response as she didn't believe their explanation was sufficient.

Ms L makes a payment and in April 2021, she gets another notice to say the arrears was £678. In May 2021, Barclays issued a default letter stating the arrears of £678 must be paid by 3 June 2021.

Ms L contacted Barclays to question the balance she owed but they didn't respond with an explanation. She made another payment. As the full amount required to satisfy the default wasn't paid, the account defaulted with a balance owing of around £300. Ms L complained.

Barclays accepted their level of service could've been better as she had asked for an explanation about the balance and that hadn't been received. They apologised and offered £50 compensation. They said the loan's final payment of £234 was due on 6 January 2021 and it wasn't paid and the final arrears notice was made up of missed payments and interest. They said they had correctly applied the default.

Unhappy with their response, Ms L referred the complaint to our service. Our investigator recommended the case wasn't upheld. They accepted Barclays' service wasn't satisfactory but overall they found they had correctly calculated the balance owed. They said as the default hadn't been satisfied, Barclays acted fairly in defaulting the account. Ms L disagreed.

In October 2022, I issued a provisional decision outlining my intentions to uphold the complaint. I said:

“Based on the evidence I’ve seen, I think it’s fair to say Ms L was confused by the calculation of the balance owed. She believed the loan had matured when she made the payment on 5 January 2021. It would appear based on the arrears notice dated 6 January 2021, she thought she only owed the equivalent of two months of arrears. For that reason, she couldn’t understand why the arrears had increased by around £300 to £1,032 in February 2021.

As part of my review, I’ve considered the account statements and arrears letters. Having done so, I’m satisfied Barclays have clearly calculated the amount Ms L owed. Had the loan ran to plan, Ms L would’ve paid 60 instalments with the final one on 6 January 2021. However unfortunately that wasn’t the case. I’m sorry to hear Ms L experienced financial difficulty, I appreciate that would’ve been a difficult time for her.

Having considered Ms L’s financial circumstances, Barclays agreed to two nil payment plans of three months in May and August 2020. Given the circumstances, I believe Barclays acted fairly and treated Ms L with due consideration and forbearance as I would expect. Despite the nil payment plans requiring no payments, Ms L managed to pay three out of the six instalments meaning the account was in three months arrears. I find this demonstrates Ms L’s willingness and capability to get the account back on track.

The monthly instalments were due on 6th of each month. Evidence shows Ms L paid an instalment on 5 January 2021 but the actual final payment was owed on 6 January 2021 and there is no evidence this was paid. I can accept Ms L may have thought she had paid the final instalment and only owed the arrears but that wasn’t the case.

So when the arrears notice was issued on 6 January 2021, the final payment due on 6 January 2021 wasn’t included as it had yet to be considered arrears. However by the time of the notice in February 2021, it had been taken into account, hence the increased arrears amount to £1,032. I note this is the equivalent of around three months arrears which I’ve already explained above is what Ms L owed. Based on the evidence I’ve seen, there is nothing to suggest Barclays had incorrectly calculated what Ms L owed. I’m satisfied they’ve required her to pay the amount owed as per the agreement.

Given the timing of the arrears notices, the date of the final payment and the increased arrears, I can understand why there would be some confusion. Records show Ms L contacted Barclays on a few occasions to get clarity and an explanation as to why the arrears amount had increased. Given her financial circumstances at the time, I can understand why she would want to make sure she paid the right amount. She said their responses weren’t adequate and based on Barclays contact notes, I’m inclined to agree with her. Barclays call agents weren’t able to give a specific explanation, I find their responses were somewhat generic in so far as saying the outstanding balance would’ve been made up of missed payments and interest. A call agent had to refer to another team to get more information and Ms L was promised call backs but it doesn’t appear that happened. In an attempt to respond to her request, Barclays sent her statements for 2019 which I don’t find to have any real relevance to the time period concerned. I can understand why this would frustrate Ms L. She had been asking for clarity since March 2021 but it wasn’t forthcoming.

I’m not convinced Ms L was disputing paying the outstanding balance but instead she wanted to understand how it had been calculated before doing so. In the circumstances, I find it would’ve been reasonable for Barclays to provide a clear explanation and to do so before the default deadline but there is no evidence they did.

Barclays may argue Ms L had received account statements and arrears notices which outlined the payments and the outstanding balance. While I accept that to be the case, if Ms L was uncertain and unclear about that information, I would’ve expected them to explain it to

her. Had they done so, I'm persuaded Ms L would've accepted the same and paid the required amount to satisfy the default by the deadline. I say that because based on what she had paid so far, it was clear she was keen to avoid the default. I note by the time the account defaulted in June 2020 it was for the £300, which is the amount she had been asking for clarity on. She had made all other payments. Based on the contact notes, it was only after the account defaulted that a more detailed explanation from Barclays about the calculation was provided to Ms L but by that time it was too late.

Taking everything into account, while I accept Barclays had correctly calculated what Ms L owed, I'm not satisfied they treated Ms L fairly by defaulting the account. She had made repeated requests for an explanation and clarity about what was owed but this wasn't forthcoming. I'm not persuaded the level of service provided by Barclays was fair nor reasonable in this case.

In terms of putting things right, in the event Ms L and Barclays accept the above findings, I intend to say she should pay the outstanding balance (if not already paid). Thereafter, Barclays should remove the default from her credit file and make sure all internal and external records are updated to reflect the same.

It's clear Ms L was caused worry and upset by this situation, that can be seen by the extent of her communication. I'm aware Barclays has already offered £50 compensation but I believe this should be increased to a total of £150 for the trouble and upset caused to Ms L. Lastly, since the complaint was brought to our service Ms L has expressed concerns about the information Barclays has recorded to credit reference agencies concerning the management of the account. As that point wasn't subject to the initial complaint, I won't be commenting on it. That would have to be raised as a separate complaint should Ms L choose to do so".

Response to the provisional decision

Both parties responded to say they accepted the findings of the provisional decision.

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.

On the basis I haven't been provided with any further information, I still consider my findings to be fair and reasonable in the circumstances. Therefore, my final decision is the same for the reasons as set out in my provisional decision.

My final decision

For the reasons set out above, I've decided to uphold Ms L's complaint.

To put things right, Barclays Bank UK PLC should:

- Remove the default from Ms L's credit file and update all internal and external records to reflect the same once she has paid the outstanding balance (if not already paid);
- Pay £150 compensation to Ms L for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 21 November 2022.

Simona Charles
Ombudsman