

The complaint

Mrs R complains that Barclays Bank UK plc recorded a default about her account with credit reference agencies without contacting her before doing so.

What happened

Mrs R had a joint current account with Barclays. She opened the account as a sole account in 1997 and her former partner was added to the account in 2000. There was an arranged overdraft facility on the account of £90. Mrs R says she had no knowledge of this account and hadn't received any correspondence about it from Barclays.

Mrs R says that during her marriage her former partner took control of all her finances. This continued until she moved home in March 2017. She says that after she got divorced she discovered her former partner had opened several accounts in her name and she was left to pay off significant debts. She applied (to X) for a debt consolidation mortgage to help her manage these debts. Her application was approved in principle in April 2020 but after she progressed it to a full application, in July 2020, it was declined. The lender told her this was because she had failed the credit score.

Mrs R says she checked her credit report and discovered that Barclays had registered a default on 21 May 2020. She made immediate arrangements to satisfy the debt but Barclays refused to remove the default from her credit file. Mrs R says she hadn't received any correspondence or statements about this account. She complained to Barclays.

Barclays investigated her complaint. It said that the last transaction on the joint account was made on 4 July 2019 and the account had been overdrawn by almost £90 at that stage. Since then fees and charges had accumulated. Barclays said that, in line with its own processes, it had sent letters about the account to the address on its records. It had also sent a termination notice and a notice of default. None of the letters had been returned.

Barclays acknowledged it had been notified of a change of address by Mrs R's former partner in 2018. It said it should have checked Mrs R's address at that time and arranged for duplicate statements about the account to be sent to her. But, it said it had sent numerous letters about the account prior to 2018 and these were sent to the address where Mrs R had been residing with her former partner. So, it said she would've known about the account. In these circumstances Barclays said its failure to send Mrs R statements about the account wouldn't have made any difference to the outcome. It offered to pay her £50 by way of compensation for not having sent her statements. Mrs R wasn't satisfied. She referred her complaint to our service.

Our investigator looked into her complaint. He thought Barclays had sent the notices it was required to send to the address on its records. Even if bank statements had been sent to Mrs R – she wouldn't have received these because she'd changed address. Mrs R had provided details about her new address in relation to her credit card account – but that was a separate division of Barclays and it wasn't reasonable to expect Barclays to update the address for her current account. He also said Barclays had made numerous attempts to contact Mrs R by telephone but hadn't been successful.

Mrs R didn't agree. She said she had other accounts with Barclays including a loan and a credit card account. It had her up to date address for those accounts. Its own policy said it should have updated her address on all its records. It hadn't done that and as a result she wasn't informed about the default. If Barclays had informed her she would have satisfied the debt and her application for the debt consolidation loan would've been granted.

Mrs R's complaint was looked at again by a different investigator at our service. He thought it was plausible that Mrs R didn't know about the joint account. It had been opened in 1997 but she hadn't used it for many years. Barclays also hadn't reported the account to credit reference agencies, prior to recording the default. So, it wouldn't have appeared on Mrs R's credit file. Our investigator thought that if Barclays had sent the notices to Mrs R at her correct address, she would have satisfied the debt.

Our investigator said Barclays should remove the default from Mrs R's credit file.

He then thought about whether Barclays should have to pay her anything more than the £50 it had already offered. He thought it should increase this amount to £500 to compensate Mrs R for the significant distress and inconvenience she'd experienced. But he wasn't persuaded, on balance, that the mortgage application had been declined solely because of the default that had been recorded. He said that lenders took a number of factors into account when deciding whether to grant credit and there was no evidence to fairly suggest that the default was the sole reason for the decline.

Mrs R accepted what our investigator said. But, she disagreed with his view about the reason why her mortgage application was declined. She was adamant that the application would have been successful but for the default.

Because Mrs R disagreed, the complaint 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.

Did Barclays take reasonable steps to inform Mrs R that the joint account was in default?

Mrs R had operated this account for many years before her partner was joined as an account holder in 2000. There was a modest overdraft facility on the account but I can see that since 2000, the account was rarely used and I think it is plausible that Mrs R had probably forgotten that the account was still active. Barclays has pointed to correspondence it sent about the account in 2017. It also says it was sending statements to Mrs R, up to the date when Mrs R's partner recorded a change of address.

Mrs R has provided evidence to our service about the fact that her former partner controlled her finances. So, even though statements were being sent in the period prior to 2017, I'm not persuaded, given what she's told us, that was enough to bring this account to Mrs R's attention. In any case it was only after July 2019 that the account conduct gave Barclays cause for concern and it was only after that date when the correspondence Barclays sent made that clear. Mrs R didn't receive any of that correspondence because Barclays only sent it to the address provided to it by her former partner.

Having considered everything, I've decided that Barclays should have done more, after July 2019, to provide notices and letters about the state of the account to Mrs R.

Barclays has accepted that when Mrs R's partner changed the address on the account in July 2018, it should have arranged for duplicate statements to be sent to her. If it had done that it says it would have updated her customer profile. But, it says that wouldn't have made any difference because it didn't have a new address for Mrs R. Having thought about everything, I'm not persuaded by what Barclays has said.

I'm satisfied that if Barclays had followed its own procedures in July 2018 when Mrs R's former partner contacted it, it would have started to send duplicate statements to Mrs R at the address it held for her on its records. Because she had moved away from that address - it's likely those statements would've been returned marked "gone away" and her record would've been flagged accordingly.

When Mrs R provided details of her up to date address in November 2018, after Barclays granted her a loan, her new address would have been recorded and she would've started to receive letters about the joint current account. As Mrs R has pointed out, Barclays own privacy policy indicates it should have updated all of its records when she provided it with her new address.

It wasn't until after July 2019 that the account conduct became unsatisfactory and important correspondence, including the termination notice, was issued. If Barclays had correctly updated its records these documents would also have been issued to Mrs R at the correct address. And, I'm persuaded, on balance, she would have settled the account before the default was registered. I can see that she satisfied the debt in August 2020 – as soon as she realised the default had been recorded.

In these circumstances, I agree with our investigator when he said that Barclays should remove the default from Mrs R's credit file.

Would Mrs R's application for a debt consolidation loan have been granted but for the default that Barclays recorded?

Mrs R has provided evidence that she received an "Approval in principle" from X for a debt consolidation loan. She received that on 30 April 2020. I haven't been provided with a copy of the approval in principle but generally such an approval is subject to a number of conditions and is not guaranteed.

Mrs R says that her broker then submitted an application for the mortgage in July 2020 and received a decline. The response from the lender was as follows:

"Based on the information provided the Decision in Principle ... has unfortunately been declined for the following reason(s):

1. The application has not passed the credit score.

this is a credit score fail, an appeal against this decision will only be considered following submission of a full application together with a letter from your client clearly stating why the decision should be reviewed."

Mrs R has confirmed that her broker made further enquiries but decided not to appeal the decision after being told that the underwriter would expect a completely clean credit history and an appeal was unlikely to succeed.

Mrs R has also provided details of how her credit score, recorded by one of the credit reference agencies, dropped significantly immediately after the default was recorded.

I've considered all of the information provided but having done so, I'm not persuaded that there is enough evidence to say that the application was declined solely because of the default that was registered. I'll explain why.

The response from the lender, set out above, indicates that this was a Decision in Principle. That means the lender hadn't considered all of the factors it would've been required to take into account before making a lending decision – such as affordability, valuation and loan to value.

Different lenders apply different criteria when assessing a customer's credit score. So, although the default would've had an adverse impact on Mrs R's credit score, there would've been other factors that the lender took into account (such as overall indebtedness) when determining her credit score. And, it is also the case that there would've been a number of matters (such as those referred to above) which the lender would take into account before making a decision about whether to lend. So, I'm not satisfied on balance or probabilities, it's more likely than not Mrs R would've got the loan, but for the default.

It is also the case that Mrs R told us she didn't think it was worthwhile making an appeal against the decision in principle. That was her choice - and I don't think it's fair or reasonable to hold Barclays liable for her decision not to seek further explanations from the lender. It also means I can't be sure that if she had made an appeal, she would've got the loan, but for the default.

So, having considered everything, I don't think it's fair and reasonable to conclude, on the basis of the evidence that's been provided, that the application was only declined because of the default which Barclays recorded.

Distress and Inconvenience

Barclays has offered to pay Mrs R £50 by way of compensation for not sending statements to her after 2018. But, I don't think that £50 takes account of the significant distress and inconvenience Mrs R has been caused because of Barclays' error. As I mentioned above if it had updated her profile, it's likely she would've been made aware that the account was in arrears and the default wouldn't have been recorded. She's had to deal with trying to get the default removed from her records - at what was already a difficult time for her. So, I agree with our investigator that Barclays should pay Mrs R £500 by way of compensation for the distress and inconvenience she's experienced here.

My final decision

For the reasons given above, I uphold this complaint about Barclays Bank UK plc.

I now require it to take the following actions:

- Remove the default it recorded with credit reference agencies about Mrs R's account; and
- Pay Mrs R £500 by way of compensation for the distress and inconvenience she's experienced because of what happened here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 19 January 2023.

Irene Martin
Ombudsman