

The complaint

Mr A has complained about the way Nationwide Building Society dealt with his credit card account after it fell into arrears. He is also unhappy that Nationwide has refused to reactivate the card for use after he paid off a lump sum.

What happened

Mr A's credit card account was in significant arrears and therefore discussions began about entering into a payment arrangement. In July 2020 it was agreed that Mr A could pay £30.74 per month to the account for 12 months, with interest and charges being frozen and that a default wouldn't be registered as long as the plan was adhered to. In September 2021 the arrangement was extended for a further six months – so until March 2022.

As the account remained in arrears, Nationwide issued a default notice on 11 April 2022. This stated that the balance of the account was £10,078.38, with outstanding arrears of £7,388.70 that had to be paid by 2 May 2022 to avoid the account being defaulted.

Mr A paid £7,400 into the account on 29 April 2022. He was already unhappy that he'd been unable to use the card during the period of the repayment arrangement. But he had an expectation that he'd be able to use it again once the arrears had been paid off. However, Nationwide said that the account would only stay open as a repayment vehicle and that it would be closed once the balance had been paid off.

During the course of the complaint, Nationwide has accepted that it made certain administrative errors and provided some contradictory information. It has paid Mr A a total of £325 for these errors.

Our investigator thought that, although Nationwide didn't always handle things as well as it should have, the offer of £325 compensation was a reasonable response for the mistakes that occurred. Mr A disagrees with the investigator's opinion and so the complaint has been passed to me for a 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.

Mr A says that the reduced repayment amount of £30.74 was suggested by Nationwide, not him, so why should he be penalized for being in persistent debt as a result of its suggestion. However, I can see that in June 2020 Mr A initially negotiated a repayment of £150 per month that he said his uncle was going to pay for him. Then in July 2020 he informed Nationwide that his uncle's circumstances had changed and he could only afford £100 per month. It seems clear that Mr A didn't have a lot of leeway financially and any agreement would need to be based on what Mr A could realistically afford. The offer of a lower level of payment would have been partly to allow Mr A some breathing space to hopefully get his finances on a sounder footing. So I think it was fair and reasonable of Nationwide to offer a repayment plan of £30.74 in an attempt to assist Mr A.

The repayment plan was due to come to an end in March 2022. At the time that the arrangement was extended for an additional six months in September 2021, Mr A was told that there would be no further extension and that a default notice would be issued if he was unable to repay the balance owed.

On 1 February 2022 Mr A spoke to an adviser who said that it could be extended for another six months. The adviser then rang Mr A back about 10 minutes later to explain that she shouldn't have made that offer and that a review of the account was required in March 2022. Mr A believes that Nationwide should have honoured the offer to reset the payment arrangement for a further six months.

Mr A was previously aware that the payment arrangement had been extended for the last time. The adviser on 1 February 2022 made an error but I don't agree that Nationwide had a duty to honour what was said. It was a genuine mistake that was rectified very quickly. Mr A was under the impression for no more than 10 minutes that the arrangement had been extended. So I don't think he suffered much detriment for the mistake that occurred and Nationwide has appropriately compensated him for the inconvenience.

The purpose of the repayment arrangement was to give Mr A some breathing space and see if he could try and reduce his arrears. So I think it was fair for Nationwide to suspend the use of the account, as continued use of the card for purchases would only increase Mr A's indebtedness.

On 22 June 2020, when the repayment arrangement was first being set up, I can see that Nationwide told him that the block would stay on and that the credit card would be closed once the balance was paid off but that he might be eligible for another card in the future. In June 2021 he was told that the account was permanently frozen and so would not be active again but that it would work with him to clear the balance at an affordable rate.

In a complaint response letter dated 15 July 2021 he was told that the account would remain restricted and repayment only – and that what he was told in June 2020 remained as its position.

In a further complaint response letter dated 22 July 21 Mr A was advised that the decision to permanently restrict the card had been referred to its Head of Credit Card Team and its Risk Team who had advised the its decision remained. It was suggested that this might be reconsidered if the balance was significantly reduced, although the credit limit would have to be reduced as well.

In another complaint response dated 19 November 2021 Nationwide told Mr A that it had listened to the call he'd had with the adviser on 22 June 2020 and could confirm that he was told the account would not be able to be used anymore and that the account would be closed once the balance was repaid. It was again mentioned that the Risk Team could review that decision if a lump sum was paid off the balance, together with reducing the credit limit.

I do note however that Mr A says he didn't receive the July and November 2021 letters until early March 2022.

When later discussing his complaint over the phone, Mr A was told by a complaint handler that, on clearance of the arrears the account would become active and the card would be available again. So there was some inconsistency there.

It seems the complaint handler misunderstood what had previously been advised to Mr A and interpreted the fact that he was told that interest and charges would resume as meaning that the card would once again come back into use. Nationwide has apologised for misinforming Mr A and has provided some compensation for its error.

Mr A says his mother sold her car (resulting in great difficulties for her) and that he used his full overdraft facility in order to pay £7,400 off the balance, due to the assurance he was given about the account being reactivated and getting a new card. He says he would have reconsidered making the payment if he'd known that it was Nationwide's intention to close the account.

But the main reason that Mr A paid off the arrears was to avoid the account being defaulted. As he works in finance, he was very worried that a default on his credit file would result in him losing his job. Nationwide had indicated that it would hold off from defaulting the account until the complaints process has been completed by this service but Mr A wasn't willing to take that risk. So, regardless of whether the account was going to be reactivated or not, it's most likely that Mr A would have paid off the arrears at that point anyway to avoid the default.

Mr A says it wasn't reasonable of Nationwide to want payment of the arrears in such a short space of time. But Mr A would have been aware from June 2020 that the reduced payment arrangement wouldn't continue indefinitely. And in September 2021 he was told that he had a final six months before the account would be defaulted if not brought up to date. So it should not have come as a surprise to him to receive a default notice in April 2022.

Mr A made an offer to pay £3,500 immediately and then another £3,500 within three months, if Nationwide would withdraw the default notice. The length of time that Nationwide maintained the repayment arrangement was much longer than it would usually have agreed to. Overall, I think it was reasonable that Nationwide decided that it was not willing to enter into any further arrangements.

Overall, I'm satisfied that Nationwide acted fairly and reasonably in the way it dealt with the arrears on Mr A's credit card account and that the payment of £325 compensation was a proportionate response to the errors that occurred.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 March 2023.

Carole Clark
Ombudsman