

The complaint

Mr J complained that Barclays Bank UK PLC (trading as Barclaycard) increased his monthly minimum credit card payment without his consent and without warning him. He is also unhappy with the way it has handled his complaint.

What happened

In March 2021, Mr J took advantage of a 0% interest offer and made a balance transfer of £3,000 onto his Barclaycard. The interest free period was due to run until May 2022, after which interest on the balance transfer would revert to the standard rate.

In October 2021, Barclays wrote to Mr J and told him it would be putting up the normal minimum monthly payment from 2.25% to 3.75%. The change would happen in January 2022. Barclays has given us evidence of its template letter and that this was sent to Mr J. The letter said the change was to help customers pay less interest overall, as it would clear the amount owed more quickly. It also said:

“If you feel this isn’t right for you, you can close your account at any time...Remember that if you close your account you won’t be able to use your card from then on, and you’ll still have to pay back any outstanding balance that you owe. You’ll also stay on your current minimum payment calculation until the balance is fully paid off – so that could take longer to clear and will cost you more in interest.”

Mr J says he didn’t receive that letter.

Barclays has told us that it contacted about a million customers in this way. Barclays says that this was “part of our approach to help customers avoid entering into persistent debt and to help them pay off their outstanding balance more quickly and pay less interest”. It says this was in response to recent regulations and guidance from the Financial Conduct Authority (FCA) about dealing with customers who were in persistent debt, or appeared in danger of it.

In the period before October 2021, Mr J did pay more than his minimum payment in August 2021, although he had started to use his card for purchases and his overall balance still went up that month. And in September 2021 Mr J made two payments in, totalling £98.65, instead of the minimum payment of £78.71, and the overall balance went up that month by £523.40. In December (after Barclays had made its decision) Mr J did pay off a substantial amount. But in all the other months I have seen, which is up until April 2022, the minimum payment was made, by direct debit.

Mr J has said he believes Barclays singled him out because he was on the beneficial 0% transfer offer.

Mr J is also unhappy that Barclays’ offer of £25 compensation seemed to be conditional on him not pursuing his complaint further.

One of our investigators looked at the facts of the case and said they thought the complaint shouldn't be upheld. Mr J didn't agree, and so the matter was passed to me to make a decision.

Following further enquiries made on my behalf, Barclays accepted that Mr J doesn't fall within the FCA definition of someone in "persistent debt", but also says that the persistent debt issue "has taught us that a lot of customers are not paying enough off of their balance when only making the minimum payment and can end up in Persistent Debt".

When I reviewed the complaint, I reached a different view to that of the investigator. And so I sent out a provisional decision and invited comment. This is what I said in my provisional decision:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My current view is that I should uphold this complaint. I will explain why. The FCA defines "persistent debt" as being:

"where, over a period of 18 months, a customer pays more in interest, fees and charges than they have repaid of the principal"

Mr J took out his card in February 2021 and, in March, was allowed to make a large balance transfer which was interest free until May 2022. It's likely he would have taken into account the minimum payment when calculating how he would manage his money. But it was only seven months later that Barclays told him it would be increasing the monthly payment. This is a long time short of the 18 months period envisaged by the FCA as amounting to persistent debt and, during the period, Mr J wasn't accruing interest. And someone who has a 0% interest free deal might be sensibly prioritising other debts that were interest bearing; or they might be prioritising other expenses during the interest free period.

It's also not clear that the terms and conditions, that allow such changes, clearly applied in Mr J's situation. Under section 11 "Changes to the other terms and conditions (not including interest rates)" the T&C's say:

As well as the changes to interest rates ... we may make changes to other terms and conditions of this agreement (including fees) for any of the following reasons...

- If we reasonably consider that the change will benefit you or isn't to your disadvantage and wouldn't cost you any more...*
- To reflect legal or regulatory requirements that apply to us*

My current view is that Barclays gave Mr J a reasonable expectation that the card would continue on similar terms for a reasonable time – and probably at least for the period of the interest free period. If so, it wasn't fair to go back on that understanding unless there was a good reason; and I don't see that Barclays has given a good reason in this case.

However, despite this, I don't see that Mr J was materially affected by the change – although I can see that this would have been frustrating. It would be hard to calculate whether Mr J has lost out financially through the change. Although he had to pay more in minimum payments, it would mean he had less interest to pay when the

interest-free period ended. And he hasn't given me any information to suggest that he did lose out like that or in some other way.

I can understand that this will, not surprisingly, have caused Mr J annoyance – he wasn't given what he thought he had agreed with Barclays. And I've said I think Barclays was wrong in the decision it made. But dealing with financial services, as with other services, doesn't always go smoothly and such mishaps are unfortunately part of everyday life. I think the £25 that Barclays has offered is a reasonable amount to settle matters.

I've thought about whether I should require Barclays to reinstate the lower monthly minimum payments. But the circumstances of the interest free period have now ended. And so it wouldn't necessarily be a breach of the terms and conditions to require higher monthly payments, to save Mr J interest in the long term.

I've also thought about the way Barclays offered Mr J £25 compensation. I don't think it was pressurising him to close the complaint in return for the compensation. It's reasonable to say it won't pay until everything is agreed as resolved – otherwise, it might possibly have to make a second payment if a higher amount is later agreed. Waiting until the end is reasonable.

In response, Mr J said he was pleased that I had upheld his complaint. He said he had been financially disrupted by the change and had had to find an extra £40 per month just when the cost of living was going up. He said he would like Barclays to reconsider the amount of compensation because of the difficulties he has experienced through the complaint process; what he regards as a lack of transparency; and it taking over a year to get explanations.

Barclays said it wanted to explain further to me its position, on the decision it had taken to increase the minimum payment. It said it doesn't believe the action it took was wrong or unfair. It said:

- Its actions had been intended to help its customers avoid persistent debt.
- It hadn't introduced the change for people who had held a Barclaycard for less than six months.
- It hadn't "singled out" Mr J.
- Mr J had been given the option of closing his account and continuing to pay just the original minimum balance.
- Its communication of the change to Mr J would have been by letter, on the monthly statement, and by email. Also, it says it sent Mr J an SMS message on 4 November 2021 saying:

"We recently let you know that your monthly minimum payment is changing. If you feel this isn't right for you, you can close your account at any time. To avoid the increase, you'd need to do this before 17 January. If you need further help with your payment reply 'Yes' and we'll give you a call. Your Barclaycard team."

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.

I've thought carefully about what Mr J and Barclays have said, but I've decided to confirm my provisional decision.

I don't see evidence that Barclays singled out Mr J. I accept that the evidence is that it has applied a consistent approach based on specific principles. I know Mr J has wondered if he was selected because he was on a 0% interest rate, but I think that's unlikely – it's quite possible Barclays could have earned more long term, if his debt had not reduced before the full interest rate came back in.

However, I think Mr J would have had a reasonable expectation that his minimum payments would not change unless there was a good reason. And I don't see there was that good reason in his particular circumstances. The principle of avoiding persistent debt did not clearly apply to him at the time – as I said in my provisional decision, a customer could reasonably decide to pay only the minimum monthly payment during the interest free period, in order to get maximum benefit from the offer. They may have planned their finances accordingly. And so there was no real indication at the time that Mr J was in danger of persistent debt, and so that wasn't a valid reason to change the terms of his agreement.

Mr J has said he thinks Barclays should offer more compensation. I can see why he says this but, for the reasons I gave, I don't think the payment of £25 is unreasonable in the circumstances.

Putting things right

If it hasn't already done so, Barclays should now pay Mr J the £25 it offered.

My final decision

For the reasons set out above, I'm upholding this complaint and require Barclays Bank UK PLC to pay the £25 previously offered to Mr J, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 June 2023.

Timothy Bailey
Ombudsman