

The complaint

Mr R complains that MBNA Limited made errors in administering his credit card accounts, causing him to incur interest and charges that he should not have incurred. Mr R is unhappy with how long it took MBNA to resolve these issues and with the general level of service he has received.

What happened

Mr R held two credit card accounts with MBNA.

In December 2019, he contacted MBNA about his card ending *7638, to enquire about a promotional rate for balance transfers that MBNA was offering. MBNA agreed to offer Mr R this promotional rate, but then did not apply the reduced interest rate and fees it had agreed to.

Mr R contacted MBNA about this issue several times, but it was not corrected, so in November 2020, he raised a formal complaint about this. MBNA issued a final response letter regarding this issue in December 2020, it agreed that it had made an error in not applying the agreed promotion. To resolve Mr R's complaint, it said it would pay him £200, refund the interest and fees that had been applied in error, and ensure his balance was on 0% interest until February 2022 as per the original promotional offer.

Mr R had further concerns about this account, specifically relating to how the refunds had been paid, a direct debit being cancelled, and the impact of that on his credit file. MBNA responded to confirm that the refunds had been paid into Mr R's credit card account, to explain why the direct debit had been cancelled, and to say that it would arrange for Mr R's credit file to be updated to remove the missed payments.

Mr R remained unhappy with this, he was expecting the interest and fees that were refunded to be paid into his current account. MBNA initially said it could arrange for the funds to be transferred to his current account – but that this would increase the outstanding balance of his credit card – and offered an additional £100 compensation. After further correspondence, and what appears to have been a delay of around 6 weeks on MBNA's part, it made a final offer to put things right for this account in October 2021. Specifically, it confirmed it had updated his credit file, offered to increase its compensation offer to £500, and made payments to his current account to reflect the interest and fees that should not have been applied. It's worth noting here that these refunds had already been applied to Mr R's credit card account, and MBNA did not take those payments back from the credit card when it made the payments again to Mr R's current account.

Mr R's credit card ending *4368 was also on a promotional rate, which was due to end in February 2021. Mr R contacted MBNA in February 2021 about repaying the balance, but he says he was told that the promotional rate was not due to expire until August 2021. As a result, he did not repay the balance as he thought he had more time, but this meant that in the following months he was charged extra interest that he had not been expecting.

Mr R raised a complaint about this issue with MBNA in July 2021. MBNA has confirmed it misfiled this complaint and did not look into it properly until September 2021. At that stage, it agreed it had made an error, and in October 2021 it offered to pay Mr R £250 for any distress and inconvenience caused, refund the interest and charges applied (with this refund going to Mr R's current account), waive interest until 30 March 2022, and remove any record of missed payments from Mr R's credit file.

Overall, Mr R is unhappy with the compensation offered and with how MBNA has handled things. He does not feel the offer includes compensation for the impact on his credit file, and also feels that MBNA has continued to provide poor service since this offer was made, specifically relating to interest being once again applied to his accounts – Mr R says he was told it would be suspended while we considered his complaint.

One of our Investigators looked into all that had happened, and overall they felt that MBNA had taken reasonable steps to fairly resolve Mr R's complaint and to compensate him for the errors made. They did not feel there was evidence to show that any agreement had been made to suspend interest while we investigated this complaint.

Mr R remained unhappy, he's provided call recordings which he feels prove that the compensation offered by MBNA did not include compensation for the impact on his credit file. He also maintains that he was told no interest would be applied while his complaint was ongoing, and has referred to the date he thinks a call regarding that issue took place. He also says that he had asked for a settlement balance around this time, but had received no response.

As no agreement could be reached, this complaint has been passed to me to review.

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.

Having done so I've reached the same conclusion as our Investigator, and for the same reasons.

There is no question here that MBNA did make errors in its handling of Mr R's accounts and in how it handled his complaint. But I'm satisfied that the offers it ultimately made in October 2021 were a fair and reasonable resolution to this complaint.

My role here is to ensure that Mr R is put back in the position he would have been in if any errors had not occurred, and then to consider what level of compensation is appropriate for any distress and inconvenience caused.

For card ending *7638 Mr R had incorrectly been put on a higher interest rate and had been charged higher transfer fees than he should have been. So to put him back in the position he should have been in MBNA needed to refund any interest and fees that were erroneously charged, ensure that the original promotional rates he had been offered were put in place, and ensure that any adverse effect on Mr R's credit file as a result of these issues was corrected. And that is what MBNA has done, it has refunded the extra interest and fees to Mr R's current account, ensured his card was put onto the promotional rate until February 2022 as originally agreed, and has shown that it contacted the credit reference agencies to update his credit file to remove any missed payments caused as a result of this.

In fact, MBNA actually went further than this. When it refunded the interest and charges to Mr R's current account, it had already reduced his credit card balance by that same amount,

and it didn't reverse that reduction. What this means is that while Mr R was incorrectly charged interest and fees of £2,670.44, he has now essentially received refunds of double that amount, totalling £5,340.88, with half of that as a direct payment to him and half as a reduction in his outstanding credit card balance.

For card ending *4368 Mr R was given inaccurate information about when the promotional interest rate on his card would come to an end. As a result, he did not repay the balance when he had originally intended to and incurred additional interest. So to put Mr R back in the position he would have been in had this error not occurred, MBNA needed to refund the additional interest applied and ensure that any adverse information recorded as a result of this extra interest was removed from Mr R's credit file. Again, this is what MBNA has done, the interest was refunded direct to Mr R's current account and MBNA has shown that it contacted the credit reference agencies to update his credit file to remove any missed payment markers.

And, once again, MBNA then went further in trying to resolve Mr R's complaint, by agreeing to waive interest on his account until March 2022.

So, for both of these cards I'm satisfied that the steps MBNA took to resolve Mr R's complaint did put him back in the position he would have been in had these errors not occurred. However, I do agree that this process was drawn out and that the service Mr R received overall was below the standard we would expect. What I then have to consider is whether the compensation paid to Mr R is appropriate for both the original errors, and for any issues then following on from that.

MBNA has offered Mr R £750 compensation in total for distress and inconvenience. Mr R says that does not include any compensation for the effect on his credit file as this offer was made before MBNA had checked to see whether any missed payment markers had been recorded and so could not include compensation for that matter. But I don't agree with Mr R's interpretation of the call he had with MBNA about this issue, or that the staff member lied to him or tried to mislead him in any way. And in any case, MBNA is not required to detail specific compensation for each error made. It has to compensate for the trouble and upset that Mr R has experienced overall. In total Mr R has been offered £750 compensation as well as the additional reduction in his credit card balance of £2,670.44. This is significantly more than I would have recommended as compensation if MBNA hadn't offered it – so I don't consider that any further compensation is now warranted.

I note what Mr R has said about MBNA's actions since this complaint was referred to us, specifically that he says he was told interest would be suspended while we looked into his complaint. But MBNA has no record of the call Mr R says took place on 21 July 2022, and the call recordings and notes that I have seen do not suggest that MBNA has told Mr R that interest would be suspended past the dates given in the final response letters. So, with what I've seen, I don't consider I can fairly find that MBNA did make that promise to Mr R.

I acknowledge Mr R's frustration here, and I agree that MBNA could have handled things better, but I am satisfied that what it has done, including the offer of £750 compensation, is a fair and reasonable resolution to this complaint, and I won't be asking it to do anything more.

Putting things right

To resolve this complaint MBNA should pay Mr R the £750 compensation it has offered to him.

My final decision

I do not uphold this complaint. MBNA Limited should now pay the compensation it has offered as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 July 2023.

Sophie Mitchell
Ombudsman