

The complaint

Mr C complains that MBNA Limited (MBNA) treated him unfairly when applying interest to his credit card account when he had an arrangement to pay in place.

What happened

Mr C has had a credit card with MBNA for several years. In 2018 Mr C, with the help of third-party organisation, contacted MBNA to let it know he was struggling financially.

Following an income and expenditure assessment, an agreement for a lower monthly payment was put in place. At this time to assist Mr C MBNA suspended all interest and charges on the account. Mr C believed the agreement was that interest would be removed forever.

In April 2019 MBNA wrote to Mr C letting him know that as he had now been able to make two consecutive monthly payments of at least the contractual minimum, it would be reinstating the terms and conditions of the account. This meant that interest would become payable on the account again, beginning two months from the date of the letter – June 2019. Mr C says he never received this letter.

Interest wasn't actually readded to the account until much later in July 2022. MBNA said this must've been due to a system error as in 2019 it's systems were being migrated to a new system as a British bank had taken it over, from its original American owner.

Around this time, Mr C noticed interest was being added on his monthly statements and complained to MBNA. He also complained about other service issues, which were resolved separately. While looking into things MBNA has placed a number of 30 day holds on Mr C's account, suspending interest. But ultimately MBNA didn't uphold Mr C's complaint and interest has been reinstated to the account. It did however explain that the only way interest would be suspended forever was if the account were to close, but this would mean the account would default and there would be a negative impact on Mr C's credit file. Mr C didn't want this.

Mr C was unhappy with MBNA's answer and so brought his complaint to this service. Our investigator didn't think Mr C's complaint should be upheld. In summary they said:

- MBNA had acted fairly when reapplying the interest to the account
- It had also treated Mr C fairly when applying the 30-day interest holds on the account while it considered matters
- Although a system error had meant interest hadn't been applied when it should have been – Mr C had benefitted from this.

Mr C didn't agree – his points are he never received the 2019 letter and if MBNA had suffered a system error meaning interest wasn't applied when it should have been MBNA should be held accountable for that error. He also believes the arrangement he entered into

in 2018 meant interest would be removed from the account forever and so he was misadvised.

The matter has now 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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

I understand Mr C feels that he entered an agreement which meant he wouldn't have to pay interest on his credit card account. But I haven't seen any evidence to support that. There is nothing either Mr C or MBNA has provided to show this was to be a permanent arrangement. Due to the passage of time and the changing of MBNA's systems there are no call recordings available of when the arrangement was put in place. So, the only evidence available of the time is the notes on MBNA's system. These show that charges and interest have been suspended and that Mr C is in financial difficulties, but there is nothing to say it's indefinite or permanent. Because of this, and the fact that this would be a highly unusual thing to be offered, I can't confidently say this is what Mr C was promised.

However, I recognise this was his understanding of the arrangement so I've thought about what he might have done differently and what options would have been available to him, if it had been clear to him, it wasn't a permanent arrangement. And I've concluded that it is more likely than not that he would have still entered into the agreement, and so even if things weren't fully clear to him, there has been no detriment to him.

I say this because, Mr C owed the balance of the credit card and so would always have needed to pay it. Mr C was in financial difficulties and by having the interest frozen for even a short period put Mr C in a better position than he would've been in, had it not been frozen. As each payment was reducing his amount outstanding more quickly than it would have done with interest being applied. Additionally, the alternative to entering the agreement would have been to default on the terms of the account which would have had a negative impact on Mr C's credit file. This is something Mr C has shown he is keen to avoid now and so I don't think he would have wanted to do this then either.

MBNA has told us it was their process at the time of the arrangement, to place a hold on interest and charges until a person can make two consecutive minimum contractual payments. Which Mr C had done by April 2019 when MBNA wrote to him. I accept what Mr C has said that he didn't receive the letter, but I'm satisfied it was sent at the time and to the correct address. I can't fairly hold MBNA responsible for any errors that may have occurred with the postal service. So, while I appreciate it would have been better if Mr C had received it, I don't find that MBNA has done anything wrong here.

In the letter MBNA said it would start applying interest to the account two months from the date of the letter – so June 2019. But a system error meant interest wasn't applied to the account until July 2022. Mr C says that a system error that causes this type of mistake is concerning, and MBNA should be held to account. And while I agree any system error is a concern, what I have to consider is the impact of any error and how MBNA acted to put things right.

The impact of this error meant that instead of Mr C being charged interest from June 2019, MBNA didn't start charging him interest until July 2022. So, this means he had an extra 37 months where he wasn't charged interest. This meant each payment he made in those months went entirely towards reducing the amount he owed. So, Mr C benefitted from the error as the total amount he now owes is less than it would have been had interest been applied correctly in June 2019. MBNA has not backdated the interest charges to 2019, it has only applied monthly interest to the outstanding balance from July 2022. In addition to this MBNA has placed several 30-day interest holds on the account while its dealt with Mr C's concerns. So overall I'm satisfied they have dealt with the error fairly.

MBNA has correctly advised Mr C if his account were to default now, interest would stop on the account, but this would have a negative impact on his credit file. This is normal industry practice and what I'd expect to happen.

Overall, having taken everything into account, I'm satisfied MBNA has acted fairly when dealing with Mr C's financial difficulties and applying interest to his account. So, I won't be asking it to do anything differently here.

I know Mr C will be disappointed with this outcome. But my decision ends what we – in trying to resolve his dispute with MBNA– can do for him.

My final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 March 2024.

Amber Mortimer
Ombudsman