

The complaint

Mr R complains that he's being pursued by a debt collection agency for his credit card debt from Barclays Bank UK PLC which he thought had been written off.

What happened

Mr R had a credit card with Barclays. In 2021 he was in some financial hardship and contacted Barclays to set up a voluntary arrangement to pay off his credit card balance. Barclays took him through an income and expenditure (I&E) review. The outcome of this review was that Mr R would not have enough money to make any payments towards his outstanding balance. He said he understood that the balance would be 'zeroed' and this would be reflected on his credit file. He said he was also advised that he would not hear from Barclays again about this. He said he is now being pursued by a debt collection agency who is managing this debt on behalf of Barclays.

Mr R complained to Barclays. Barclays did not uphold Mr R's complaint. It said it offered to place Mr R on an informal arrangement called a "zero offer" but that its communication had advised Mr R that the debt could be transferred to a debt collection agency. Mr R wasn't happy and brought his complaint to our service. He said he had received a statement the following month which recorded his balance as zero.

Our investigator concluded that Barclays hadn't done anything wrong, so Mr R asked for a final decision from an ombudsman.

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 this will come as a disappointment to Mr R but having done so I won't be asking Barclays to do anything further for the reasons I've outlined below.

While I agree with Mr R that listening to the phone call from 7 January 2021 when he discussed his I&E would be very helpful, unfortunately a recording is no longer available. But I do have written communication from Barclays to Mr R.

Barclays said it offered to place Mr R on an informal arrangement called a "zero offer". It said this was because the I&E showed Mr R had more outgoings than money coming in, which meant he would be unable to make any payments towards his account. In its final response Barclay said on 7 January it advised Mr R that:

- a late payment would be reported on his credit file
- interest and fees would be suspended from the next statement
- a default notice would be sent to him asking for full minimum payment within 60 days.
- a default if registered would reflect on his credit file

Barclays has provided copies of correspondence it sent to Mr R shortly after the call which

appears to confirm the outcome of the conversation. I note the address the letters were sent to matches the address Mr R gave to this service. So I'm satisfied the letters were sent to the correct address.

The first letter was a termination notice, dated 8 January. It says:

"When we last spoke, you told us about your situation and explained you were having trouble with your payments... So we're sending you this Termination Notice under the Consumer Credit Act 1974. This gives you until 13 March 2021 to call us and arrange to pay your standard minimum payments. If you don't do this, we'll register a default with the Credit Reference Agencies... We may then transfer your account to a Debt Collection Agency -we've explained more about this over the page."

I've seen a default notice dated 18 February 2021. This letter explains what happens when a default is registered and what happens if Mr R could bring his account up to date and if he couldn't. If he couldn't bring his account up to date the letter says it may transfer his account to a debt collection agency. The frequently asked questions at the end of the letter explains more about debt collection agency contact.

I've seen a letter dated 22 March 2021. It notes that a default has been registered with the credit reference agencies. The letter goes on to say that if Mr R can't pay it may transfer the debt he owes to a debt collection agency, or it may transfer his account to another company completely.

I can see from Barclays records that the account was closed by collections on 9 January 2021 and charged off on 22 March 2021.

Mr R has said he was told in the initial conversation that the balance would be 'zeroed'. It appears that Mr R may have interpreted the balance being zeroed as the balance would be written off. And he provided the statement with a balance of zero. Barclays has said he was offered an informal arrangement called a 'zero offer'.

I can't say for certain because I wasn't on the call, but this may be where Mr R's confusion started. But even if it wasn't clear on the call I'm satisfied that the outcome of the conversation with Mr R was communicated clearly in writing shortly after in the letter dated the next day, 8 January.

The zero balance on the statement Mr R provided to this service was explained by Barclays as follows:

"To confirm, when an account is closed and defaults, it is moved to our debt management system and removed from the account system where active accounts are managed. This process is known as "charging off". That is what is shown on that statement. No further statements are generated. The debt does not attract further interest and the balance at the point of the charge off would not increase. This is common practice; it's not an indication the debt has been cleared. You'll see the charge off process matches the date of the default being registered."

I can see on the statement it says "CHRG OFF", dated 22 March. I accept Mr R may not have understood what "CHRG OFF" meant at the time, but I'm satisfied that three letters were sent dated 8 January, 18 February and 22 March. These explained the situation clearly to Mr R and included the implications of non-payment, the registering of a default and that referral may be made to debt collection agencies. So I'm satisfied that Mr R knew or ought reasonably to have known that the balance might be transferred to a debt collection agency.

I'd sorry to hear that Mr R has been in some financial difficulty but I'm satisfied that Barclays hasn't done anything wrong and I won't be asking it to do anything further.

My final decision

My final decision is I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 March 2024.

Maxine Sutton
Ombudsman