

The complaint

Mr K complains Barclays Bank UK PLC unfairly applied a default against his account and closed it when he was experiencing financial difficulties.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr K held a Barclays account which had an overdraft of just under £12,000. In December 2022 Mr K explained to Barclays that he was experiencing financial difficulties, which meant he was struggling to meet his overdraft repayments. Barclays accepted Mr K's proposed repayment plan but explained that the account would need to close.

At the end of May 2023 Barclays issued Mr K a termination notice. This explained that the account would close the end of June 2023 and the remaining overdraft needed to be repaid. As the overdraft remained, the account closed, with the overdraft amount passing to the recoveries team.

Mr K raised a formal complaint in July 2023, saying he wasn't aware the account would default. In order to resolve his complaint Mr K asked for the default to be removed and his account reopened. Barclays investigated his concerns and found that it had provided Mr K with the relevant information and that the default had been correctly applied.

Dissatisfied with this response, Mr K referred his complaint to this service. An Investigator looked into Mr K's complaint and found Barclays had acted fairly in the circumstances. Unhappy with the Investigator's review, Mr K asked for his complaint to be reviewed by 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.

The key part of Mr K's complaint is Barclays' decision to report a default on his credit file. Mr K has raised a number of concerns about the impact of this. I will, however, focus on issues which are - in my opinion - relevant to reaching a fair outcome to this complaint. This isn't meant as a discourtesy. It simply reflects the informal nature of our service.

Generally, businesses have an obligation to treat customers in financial difficulty sympathetically and the Financial Conduct Authority (FCA) says that businesses like Barclays should treat customers in difficulties with forbearance and due consideration. I can see Mr K pro-actively contacted Barclays about his financial situation. The information I have seen from Barclays shows that once Barclays became aware of Mr K's financial situation it suspended fees on the account. Barclays also set out clearly the time frame for the account closure, and that the account would pass to recoveries if the repayments to the overdraft

wasn't increased. I'm satisfied that Barclays' actions were reasonable at this stage and in line with regulatory guidance at the time for customer's facing financial difficulty.

Mr K informed Barclays of his financial difficulties in December 2022, and I can see Barclays sent a letter confirming it had accepted his repayment plan. This letter goes on to explain that the repayments wouldn't be enough to keep the account open. In January 2023 Barclays sent Mr K a further letter explaining the account closure process. There was no further contact from Mr K during this period and in May 2023 a final termination letter was sent confirming the account would close in June 2023. This letter also clearly detailed that information would be registered with credit reference agencies. Overall, Barclays provided Mr K with almost six months to clear the overdraft or increase repayments. Mr K says he didn't receive clear communication from Barclays, but based on the above, and looking at the call notes with Barclays I am satisfied Barclays took reasonable steps to explain the situation to Mr K. Barclays has also confirmed the relevant communication would've been accessible via its app which Mr K had access to.

Mr K says the application of the default by Barclays is unfair and has a disproportionate impact on him. Mr K says he is a long-standing customer and he pro-actively reached out for assistance from Barclays. I appreciate Mr K's comments, but the regulatory guidelines set out for Barclays require it to report account information accurately and within set timeframes. Barclays must report this information, regardless of how long a customer has been with it. Ultimately, when an account is overdrawn or in arrears a default can be applied, even if an arrangement to pay or some other temporary arrangement has been reached. This is because the account has not been managed in line with the terms and conditions. I must also highlight that it is not the role of our service to comment on the regulatory guidelines in place. Instead, it is for our service to determine whether Barclays has fairly applied the guidelines, and in Mr K's case I am satisfied it has.

It is clear Mr K would like Barclays to remove the adverse information that is recorded on his credit file and reopen the account, but given the account history and its regulatory responsibilities, I think Barclays has acted reasonably here. I realise that this is not the outcome Mr K was hoping for, and he will be disappointed by the decision I've reached. But I hope my decision provides some clarity around why I won't be asking Barclays to take any further action.

My final decision

For the reasons explained above, my final decision is that I don't uphold the complaint.

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

Chandni Green
Ombudsman